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NEWS SUMMARY

GENERAL

Round 1 in U.S. to Carter and Bush

President Jimmy Carter and Republican long-shot George Bush emerged as big winners in the Iowa party caucuses—first round in the fight for the 1980 U.S. Presidential nomination.

On the Democratic side, Mr. Carter inflicted a severe defeat on Senator Edward Kennedy. He won about 59 per cent of the caucus votes against Mr. Kennedy's 31 per cent and about 10 per cent for uncommitted delegates.

Mr. Bush beat the Republican Party's front-runner Ronald Reagan, with Senator Howard Baker finishing a respectable third. On the basis of incomplete returns, Mr. Bush took about 34 per cent of the votes and Mr. Reagan 28 per cent. Back and Page 4

Ship talks fail

Week-long negotiations aimed at finding ways of ending the use of flags of convenience by merchant fleets collapsed in Geneva. The failure opens the way to a bitter wrangle between rich and poor countries. Back Page

Kagan writ

Lord Kagan is to be sued by Kagan Textiles—the Gannex raincoat company he once ran—for the recovery of "substantial" sums. Solicitors for the company said that Lord Kagan, who is believed to be living in Spain, had submitted his resignation by letter and this had been accepted.

Lamb 'crisis'

EEC Farm Ministers' talks on lamb ended in what Britain's Agriculture Minister Peter Walker described as "a state of crisis." The French refused to obey a European Court of Justice ruling that they should accept British lamb imports.

New Eton head

Shrewsbury School head Mr. Eric Anderson, 43, is to be headmaster of Eton College in succession to Mr. Michael McCrum, who becomes Master of Corpus Christi, Cambridge in October.

Police accused

Two Metropolitan Police detectives were charged by Operation Countryman investigating officers with stealing more than £14,000 and conspiring to pervert the course of justice. Det. Sgt. Brian O'Leary of West Wickham, Kent, and Det. Con. Roy Leavers of Biggin Hill, Kent, were charged at Godalming, Surrey.

Charges dropped

The French authorities have dropped six manslaughter *charges brought against British* climber Christopher Marsh, 16, of Camberley, Surrey, after a mountaineering accident in the Alps in which eight people died.

McMahon ruling

Thomas McMahon, serving a life sentence for the murder of Lord Mountbatten, was acquitted by a Dublin court of being an IRA member

Spy escapes

An American who was *jailed* for 40 years in 1977 for giving rocket secrets to the Soviet Union escaped from a maximum security prison at Lompoc, California. Christopher Boyce, son of a former FBI agent, was missing when roll call was taken.

Briefly . . .

West Indies gained a 2-0 lead in the World Series limited-over cricket cup in Sydney. They beat England by eight wickets, making 209 for 2 in reply to England's 208 for 8.

Fifteen people were killed when a bus plunged into a gorge near the southern Peruvian town of Abancay.

BUSINESS

Golds off 33.9; Gilts ease

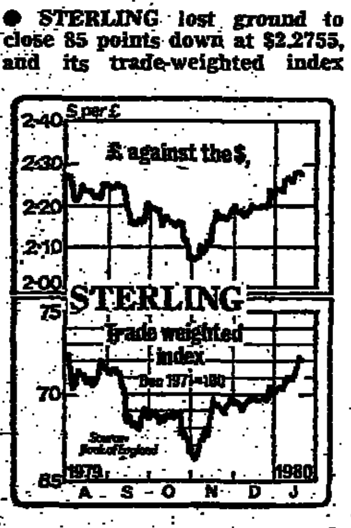
● GOLDS: South African gold shares sustained a record one-day loss, following the bullion fall. The Gold Mines index fell 33.9 to 318.6.

● GILTS eased ahead of the *two tap issues*, and the Government Securities index closed 0.51 down at 68.75.

● EQUITIES were uncertain, but became more settled later and the FT 30-share index, down 8.9 at 1 pm, *closed* 7.9 off at 449.8.

● GOLD fell $135 in London—the largest daily movement on record— to close at $690.

● STERLING lost ground to close 85 points down at $2.2755, and its trade-weighted index



fell to 72.0 (72.3). DOLLAR was firm, rising to DM 1.7330 (DM 1.7295), but its index was unchanged at 84.9.

● *WALL STREET* was 2.98 down at 869.80 just before the close.

Budget switch to March 26

● BUDGET will be presented on March 26 instead of March 25 so the date will not clash with the installation of the Rt. Rev. Robert Runcie as Archbishop of Canterbury. Parliament, Page 10

● NET AMOUNT of new money invested in unit trusts last year was £58m — the lowest since 1962. Page 22

● SHIPS lost at sea last year set a peactime record. Total gross tonnages lost were 2.26m against 1.4m the previous year. Back Page

● NISSAN Motors, maker of Datsuns, is pressing ahead with tentative plans to build a plant to produce 10,000 small trucks a month in the mid-west of the U.S. Page 5

LABOUR

● LEYLAND Vehicles is to make 750 workers redundant from its light/medium division factories in Scotland as part of its programme to reduce heavy financial losses. Page 6; BL to keep specialist companies, Page 6

COMPANIES

● ELECTROLUX, the Swedish household appliances group, made a SKr 725m (£75.7m) offer *for its compatriot, the* Gränges metals and engineering group. Back and Page 24

● BLUE CIRCLE Industries, the cement group, has made an agreed £28m offer for Armitage Shankes, the sanitary-ware maker. Page 22

● MFI Furniture Group pre-tax profits in the first half advanced from £6.03m to £8.06m on sales 39 per cent higher at £56.12m. Page 20 and Lex, Back Page

● JONES STROUD (Holdings), makers of fabrics, accessories and materials for the textile and electrical industries, report first-half pre-tax profits down from £1.41m to £1.06m. Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Gieves	110	+ 10
Newark (Louis)	235	+ 8
SEET	57	+ 4
Sothebys	445	+ 20
United Carriers	155	+ 7
Aran Energy	358	+ 12
Bertam Cons.	62	+ 6
Doloi	270	+ 55

FALLS		
Excheq. 14pc '84	£97 11/16	− 3/16
Treas. 14pc '98-01	£101¼	− 1
Amber Day	35	− 4
Blue Circle	266	− 22
Debenhams	79	− 4
Grand Metropolitan	136	− 6
Hickson and Welch	165	− 7
House of Fraser	137	− 6
ICI	370	− 8
Johnson Matthey	260	− 28
Land Securities	276	− 10
Lincroft Kilgour	36	− 8
Lloyds Bank	308	− 8
Lonrho	100	− 9
MFI	78	− 5
Ntnl. Carbonising	122	− 7
IC Gas	678	− 22
Anglo-Amer. Coal	950	− 200
Anglo Amer. Gold	£38	− 4½
Bracken	171	− 30
Cons. Gold Fields	442	− 34
Durban Deep	£12¼	− 2¼
Free State Geduld	£23¼	− 2½
Gold Fields SA	£30¼	− 3¼
Harmony	745	− 94
Impala Platinum	270	− 41
Leonnard Oil	88	− 10
Libanon	876	− 124
MIM Holdings	285	− 19
RTZ	382	− 28
Rustenburg Plat.	258	− 62
Western Mining	222	− 15

London gold price falls by a record $135

BY DAVID MARSH AND DAVID LASCELLES

THE LONDON gold price dropped by a record $135 an ounce yesterday to close at $690 after a wave of nervous profit-taking. In the past six weeks gold had doubled in value.

The fall continued the trend which set in on Monday afternoon after the announcement of measures to dampen gold and silver speculation in the U.S. and West Germany. Selling pressure was reinforced yesterday by restrictions on silver futures trading introduced by the Chicago Board of Trade, also aimed at curbing speculation.

The silver bullion price fell in London £4.32 to £16.92 an ounce, after dropping as low as £14.60 at one point during the day.

Similar steep falls occurred in New York yesterday. Within moments of opening, gold dropped below $800 and at one point went as low as $670 before recovering in mid-afternoon to $705. This was $145 down on the previous night's close.

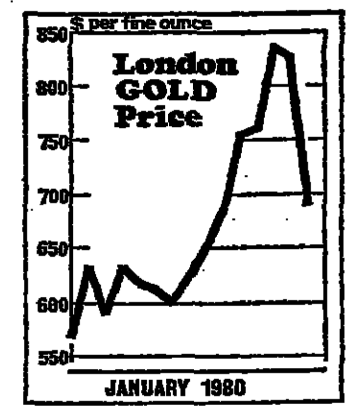
Silver shed $5 to fall below $40 an ounce, helped by the Chicago Board of Trade's decision to forbid traders to take new positions in the January, February and March contracts. In New York, Comex, the largest U.S. silver market, took a similar step on Monday.

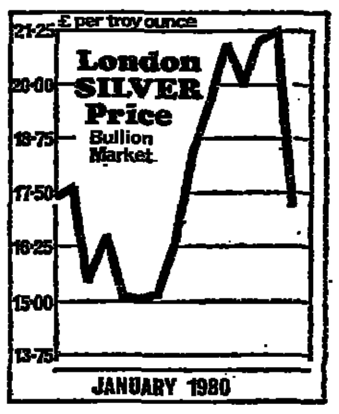
New York dealers said the strongest selling appeared to be coming from Britain and the Continent, probably because the European public had played a far bigger part in fuelling the latest price increase than the Americans.

Apart from the silver trading curbs, the market was affected by a comment from Mr. Paul Volcker, the chairman of the Federal Reserve, that he supported the U.S. Treasury policy of occasionally selling gold. While not new, this remark strained an already nervous market.

The fall in gold and silver also led to selling on base metals markets. Copper, which has recently attracted heavy speculative demand, and lead both registered

Continued on Back Page





South Africa reaps gold harvest Page 4 ● Gold rush hits Hong Hong exchange Page 25 ● Money markets Page 26 ● Farming and raw materials Page 29 ● Lex Back Page

Unemployed total rises to 1.34m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

UNEMPLOYMENT HAS jumped sharply over the last month and now appears to be set on a firmly rising trend as the recession begins to bite.

The number of adults out of work in the UK rose by 44,300 to 1.34m in the month to mid-January on a seasonally adjusted basis. This is the largest monthly rise since October 1975 and the increase occurred in all regions. The total is equivalent to 5.5 per cent of the workforce.

This marks a clear acceleration in the rate of growth of unemployment following an average increase of about 10,000 a month between September and December last year.

The announcement of the figures led to strong criticism of Government policies at question time in the Commons yesterday. There were also protests from trade union leaders.

Mr. David Basnett, chairman of the TUC economic committee, said it was tragic that the Government showed no signs whatsoever of taking any new measures to offset the effects of *its policies.*

An increase of the size reported over the last month is not really surprising in view both of the slowdown in the growth of output in the second half of last year and of the limits on public sector manpower.

It is unclear whether this rate of monthly increase—last seen during the worst of the 1974-75 recession — will continue. It is possible that this month's total may have been somewhat inflated by the impact of the steel strike which may have undermined confidence and therefore affected recruitment.

Moreover, the impact of the Government's various job support measures is also declining and the number of workers taken off the register has fallen by 15,000 over the last month to 195,000.

Yet it is freely conceded in Whitehall that the trend is now firmly upwards after the more uncertain position in the autumn.

This is underlined by the *continuing fall in vacancies* notified to Department of Employment offices. This is regarded as a good advance indicator of employers' attitudes to recruitment and thus to the level of labour market activity.

The seasonally adjusted total dropped by 13,200 in the month to mid-January to 206,600, the lowest level since May 1978. This was the seventh successive monthly drop and the total fall has been 55,800.

There has also been a sharp rise in the flow on to the unemployment register and a drop in the inflow on to the vacancies register.

The unadjusted unemployment total increased by 115,000 in the month to mid-January to 1.47m, or 6.1 per cent of the workforce.

The number of school leavers out of work rose by 6,500 to nearly 46,000, but this was almost entirely because of winter school leavers in Scotland.

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Editorial comment Page 18

Revised steel offer likely

BY CHRISTIAN TYLER, LABOUR EDITOR

THE BRITISH Steel Corporation is likely to outline a revised pay offer to its 100,000 striking workers in a meeting with officials of the Advisory Conciliation and Arbitration Service today.

Dr. David Grieves, managing director of personnel, has accepted an invitation for "exploratory" talks at ACAS. This is the first step toward possible reopening of negotiations to settle the three-week strike.

The assumption yesterday was that BSC would not go back to ACAS unless it had something new to say.

The corporation is believed to consider that it can offer no more than 10 per cent at national level, and to remain determined that the greater part of any pay rise must be negotiated at local level in plant productivity agreements.

But in exchange for the unions accepting less than 10 per cent on the table and being ready to negotiate the rest locally, BSC *looks ready to* remove or soften some of the many conditions it has attached to its last offer.

When negotiations were broken off at the beginning of the strike, BSC had offered 8 per cent on condition that the unions gave up 12,000 jobs at plants otherwise unaffected by closure plans. It wanted the unions to accept a list of conditions designed to promote more efficient working by those who remained in the industry.

It said that a lump-sum bonus worth at least 4 per cent would be paid after every quarter in return for local productivity agreements. A first-quarter payment of 4 per cent would be made in advance.

The unions had asked for 8 per cent without strings and 5 per cent more as a lead-in payment for agreeing to new plant productivity negotiations.

Whether the kind of compromise BSC has in mind will be *enough to end the strike, or* even to get negotiations going again, remains to be seen.

Whatever is said today the

Continued on Back Page
Strike effects Page 6

New bid for Meccano dismissed

BY CHRISTINE MOIR

A PRIVATELY OWNED Derbyshire manufacturer of do-it-yourself products has made what it describes as a "substantial cash bid" for Meccano, the troubled subsidiary of Airfix Industries, *the toy group which is trying to* close it down in the face of opposition from workers.

Mr. Stuart Turner, chief executive of Sheridan Investments which manufactures a range of DIY products including Plasplug, the brand leader in plastic wall plugs, and Quiksand Abrasives, said yesterday that he was prepared to negotiate for the factory, plant and stock at "substantially below £2m."

Mr. Ralph Ehrmann, chairman and *chief executive of Airfix,* dismissed the bid as a "breaker's yard offer." Airfix has never disclosed the book value of Meccano's assets but has privately let it be known that it would consider offers near £4m.

Airfix has recently talked to the Maharishi Mahesh Yogi's "Age of Enlightment" transcendental meditation movement about a possible venture in which the movement would lease the factory and manufacture toys under licence there. So far, however, the Maharishi has not come up with any firm offer and is said to be seeking financial support from the Government and local authorities for his move.

Meanwhile, Mr. Turner stresses that Sheridan—which has a £4.5m turnover—has definite plans for the toy factory. *He believes it could be made* profitable again if a "radical new approach" was adopted. Having visited the plant and studied the products, he is excited about the potential for the Meccano range and says that he has ideas for a major extension and adaptation.

The future for Dinky Toys, which accounts for at least 60 per cent of the total business of the subsidiary, is bleak. Mr. Turner says that with their present complicated manufacturing process it is "impossible to make Dinky Toys profitable" without a total redesign.

Nor is he prepared to pay "a fancy" price for the plant, stock or factory. "Frankly, some of it merely has scrap value," he said. Any price would have to take into account the fact that there were enormous difficulties in getting back to profitability a company which had been "losing money at the rate of £2m a year."

Sakharov arrest is rebuff to U.S.

BY ALAIN CASS AND DAVID SATTER IN MOSCOW

DR. ANDREI SAKHAROV, the Nobel peace price-winning physicist and the Soviet Union's leading dissident, was yesterday stripped of his State honours. Relatives reported last night that he was being sent into internal exile in the city of Gorky which is closed to foreigners.

The Soviet news agency TASS accused Dr. Sakharov of carrying out "subversive activities against the Soviet State" in a move which may foreshadow a drastic tightening of the internal political situation, and is bound to worsen relations with the U.S.

The move against Dr. Sakharov carries great symbolic importance and is the most dramatic action against the Russian dissident community since the expulsion of the writer Alexander Solzhenitsyn who was deprived of his citizenship in February 1974.

It is an important indication that the Soviet authorities now feel free to move decisively against the vestiges of dissent using the pretext of the international situation created by the Western response to the invasion of Afghanistan.

The move is also a personal *rebuff to President Jimmy* Carter whose human rights policy in general, and support for Dr. Sakharov in particular played an important role in the steady worsening of relations between the two super powers.

Dr. Sakharov symbolised the aspirations to democratic liberties in the Soviet Union. The move against him can only add support to the call for a boycott of the 1980 Moscow Olympics.

It may also have an adverse effect on the scheduled November meeting in Madrid of the signatories to the Helsinki agreement when the human rights issue will figure prominently.

There was no immediate confirmation of Dr. Sakharov's whereabouts but an unidentied woman caller told the Financial Times yesterday afternoon that he had been arrested.

Guards who blocked the entry to Dr. Sakharov's central Moscow apartment told correspondents to look for him at "Sheremetevo" *Moscow's main international airport.*

However, relatives of Dr. Sakharov said here last night that he was unlikely to be allowed to leave the Soviet Union because of his work in Soviet nuclear weapons research.

In what may have been a related development TASS also reported yesterday in a brief announcement that Mr. Vladimir Kirillin had resigned as chairman of the Soviet State Committee on Science and Technology.

Moscow links dissent to detente, Page 3

Mr. Sakharov: internal exile

£ in New York

—	Jan. 21	Previous
Spot	$2.2745-2760	$2.2830-2850
1 month	1.00-1.04 dis	0.70-0.65 dis
3 months	2.05-3.00 dis	1.67-1.62 dis
12 months	4.00-3.80 dis	3.75-3.55 dis

UK TO END CREDIT AGREEMENT

Lord Carrington will tell Parliament tomorrow that the UK will abandon its £950m preferential credit agreement with the Soviet Union when it comes up for renewal on February 16. It will be announced as part of a package of trade and political pressures against Russia following the invasion of Afghanistan (Back Page).

Mrs. Margaret Thatcher yesterday showed her determination to *back the U.S. in its bid* to remove the Olympic Games from Moscow. Australia and New Zealand also announced backing for the U.S. stand (Page 4).

Mrs. Thatcher told MPs she was asking Britain's Olympic Association to seek alternative sites for the Moscow Games—and the Government is prepared to suggest several UK sites (Page 10).

Pakistan is asking the U.S. for *at least $2bn in military aid* —half of which would be spent on strengthening its defences on the Afghanistan *border. There are signs of a* split in the Arab world in its reaction to the invasion (Page 4).

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Doubts cast on E. Germany's growth figures

BY LESLIE COLITT IN BERLIN

EAST GERMANY, which last month said its economy grew *by 3 per cent last year, now says* that the increase in national income, equivalent to gross national product minus services, was actually 4 per cent. West German specialists in Comecon economies say the discrepancy is a glaring one which casts serious doubt on economic statistics published by East Germany.

Herr Erich Honecker, the East German President and Communist party leader, told his Central Committee last month that national income had grown 166bn Marks in 1979, or 3 per cent over the previous year. Although the growth target figure was 4.3 per cent, it was none the less regarded as a considerable achievement after the setback inflicted on industrial output by last year's severe winter weather.

Now, however, East Germany's Central Statistical Office has reported that national income grew by 4 per cent last year, or 1.6bn Marks more than *the figure given by Herr* Honecker.

East German officials have no explanation for the discrepancy but West German economists say they are computing the components of national income to see if they can discover where the error lies. They point out that East Germany's economic statistics, never very revealing, have become even "more sparse" over the past five years. Foreign trade figures, for example, are no longer broken down into *imports* and exports.

In December, Herr Honecker said last year's 9.8 per cent target for foreign trade growth had not been "entirely achieved." The Statistical Office, however, says foreign trade expanded by 12 per cent last year. This discrepancy, according to the West German economists, is probably caused because the 12 per cent figure includes price increases and thus is nominal growth.

Iceland coalition bid fails

BY JON MAGNUSSON IN REYKJAVIK

ATTEMPTS TO form an Icelandic government by Mr. Svavar Gestsson, the 36-year-old radical socialist from the Communist-backed People's Alliance have failed, he informed President Kristjan Eldjarn yesterday morning.

Mr. Gestsson, who is well known for his anti-NATO feelings, spent most of the past 10 days in discussions with leaders of the centrist Progressive party and the Social Democrats. The talks centred around economic issues, particularly fighting Iceland's inflationary problems. Foreign issues were not discussed but the People's Alliance demands that the U.S. navy leaves the NATO base at Keflavik.

The President is now expected to ask Mr. Benedikt Grondal, Prime Minister in the minority Social Democratic caretaker government, to try to form a workable majority.

Italy's private broadcasters are winning battle of the TV channels

BY RUPERT CORNWELL IN ROME

RAI, THE STATE controlled Italian broadcasting network, has been ordered by a court to virtually black out the month-old service in the Tuscan region of its new third channel—on the grounds that it is spoiling reception of a number of private local TV stations.

The ruling, against which RAI officials this week unsuccessfully appealed, not only underlines the complete chaos in Italian broadcasting but marks a significant victory in the running battle between the public TV and its myriad private competitors.

Ironically the decision by a judge in Lucca hits specifically the third channel, introduced in December after months of wrangling and infighting, to provide a local, more highbrow, state service to supplement the two existing national RAI channels.

In response to a complaint lodged by the private stations, the state authority was ordered to reduce the power of its new Monte Serra transmitter 10 miles south of Lucca. The step in effect will deprive most of Tuscany of channel three.

The RAI retorted by threatening to close down the transmitter altogether—only to be warned by the court that its management could face heavy fines, and even imprisonment for the offence of "deliberately suspending an essential public service."

Whether the programmes of the much-criticised RAI can be classed as an "essential service" is a matter of argument. But the enforced maintenance of a service which serves no one is a perfect example of the Kafka-esque contortions of which the Italian system is capable.

Sig. Vittorino Colombo, the Telecommunications Minister, declared yesterday that the episode only strengthened the case for new laws to regulate the proliferation of private radio and TV here.

According to the latest estimates, there are around 600 TV stations, pumping out a diet of films, sport, local news and late-night soft (and in some cases not-so-soft) porn. The number of private radio stations is put at between 2,000 and 3,000.

Not only the RAI but the broadcasting authorities of neighbouring countries have called for action to control the Italian stations. Domestic services in parts of southern Switzerland, for example, have been interfered with by unregulated transmitters to northern Italy.

But such measures for the time being appear little more than a pious hope, given the near-impossibility of pushing any legislation through the Italian Parliament.

The RAI monopoly—as far as local broadcasting is concerned—was destroyed by a series of constitutional court rulings here in the mid-1970s.

Since then political and industrial interests have moved into private TV and radio, and any measures to curtail them would be fiercely contested. One estimate suggests that the Christian Democrats, in one way or another, have 50 per cent or more of the TV stations in their camp.

Possessing an audience share of 10 per cent (and rising), they have become an important media outlet for politicians, especially since new general elections this year are possible if the current stalemate is not resolved.

Trieste: a defiant attempt to save 'the Melon'

BY PAUL BETTS, RECENTLY IN TRIESTE

A POLITICAL "melon" is swelling in the formerly disputed border city of Trieste over which Italy and Yugoslavia struggled for control after both the first and second world wars. The melon is the symbol of the city of Trieste. But over the last two years it has been taken over by a new political grouping of local *inhabitants* demanding direct democracy in community politics.

Supporters of the "Lista per Trieste," or the Melon party a it is commonly known, are angry at what they see as neglect of their interests by far-away Rome. Behind this anger also lies apprehension about the risk of being overwhelmed by Slavs from neighbouring Yugoslavia when the plan for a joint Italo-Yugolav industrial freeport and manufacturing zone behind the city comes to fruition.

Fresh attention has been focused on Yugoslavia by the ill-health of President Tito and now the chances are that both Rome and Belgrade will shortly have to take a fresh look at the problems of Trieste—and the Treaty of Osimo which was signed five years ago with the aim of creating stability and friendly relations on this historically sensitive frontier.

This will require coming to terms with the "Lista" which already controls the City Council under the mayor Sig. Manlio Cecovini, who also sits in the European Parliament at Strasbourg as an independent on the Italian Liberal Party list.

The success of the "Lista," which irrespective of national political labels has set itself the task of working wholly for the local community, is causing growing concern to the main Italian political parties. In a sense, it has eloquently exposed a general feeling of disillusionment and exasperation in many parts of Italy against the political parties in Rome and the central government.

The fact that Italy is once again on the brink of a Government crisis, that successive political compromises have failed to give the country a stable Government, and that Italian Governments in general have shown a major disregard for minority views when no immediate political advantage was to be gained from them, goes a long way in explaining the appeal of these new local *movements.*

But the extraordinary success of the local party in Trieste must be set against the peculiar background of the city's history and its geographical position on the edge of the Yugoslav border. Although Trieste was under Austrian rule for several centuries—and architecturally and atmospherically at least, it is more mittel-European than Italian—in terms of language, culture and customs it has always regarded itself essentially an Italian city. It was thus inevitable that in October 1954, when the city returned to Italy after a nine-year post-war period under allied military control, Trieste should look towards the Rome government for moral and practical support for its fundamental needs and interests.

Yet over the years, Trieste has increasingly felt the Rome government had little or no intention of doing very much for the city under the Austrians. Trieste became a flourishing free port and the so-called emporium of the Austro-Hungarian empire. "In 1913 we were the third port of Europe. In the following 60 years, we have become the tenth port in Italy," the city's mayor said.

Indeed, Trieste appears to have steadily lost ground to the rival Italian port of Genoa, while the competition of other Italian Adriatic ports and the nearby ports of Pula (formerly Capodistria) and Rijeka (once Fiume) now in Yugoslavia have continued to undermine it. Much of the goods traffic from central Europe, which once passed throgh Trieste, has been diverted through the two Yugolsalve ports. In the case of Trieste's timber free port, as one local operator indicated, the large majority of central European outgoing timber exports now pass through Yugoslavia.

In the first five months of 1978, 40,380 tonnes of timber *was shipped out of the two* Yugoslav ports.

In terms of industry, too, Trieste has suffered. For several decades, the Yugoslav border all around it and the preoccupations and tensions this has aroused has acted as a major disincentive to new investment. What investment has been undertaken has tended to come from the public sector in areas now in deep crisis like steel, ship repair and the manufacture of shipping engines and mechanical equipment.

Trieste today still lives largely off its port and a flourishing cross-border trade with Yugoslavia. Indeed, from the great emporium of the Habsburg empire, with its sophisticated business infrastructures of banks, insurance companies and tock exchange, Trieste's biggest single and most visible activity is now a sort of rag trade with the neighbouring Yugoslavia.

Every day, five days a week, Slavs pour into the city to buy huge quantities of blue jeans, records, spare parts for cars and other mechanical goods sold in the city's great quantity of shops and the innumerable stalls in the Habsburg quarter around Piazza Ponterosso or outside the station. One local banker claimed this trade alone generated an annual turnover of between L300-400bn. And the jeans bought in Trieste by Yugoslavs, whom can be seen everywhere walking in the streets weighed down by bulging plastic bags, eventually find their way to other parts of eastern Europe.

The general decline of Trieste can also be measured by the city's peculiar demographic trend. Trieste has some 300,000 inhabitants, and unlike any other Italian city its population has not so much grown in the post war period but has gradually shrunk. Young people are leaving the city, where one third of the population are pensioners, although there is no effective unemployment.

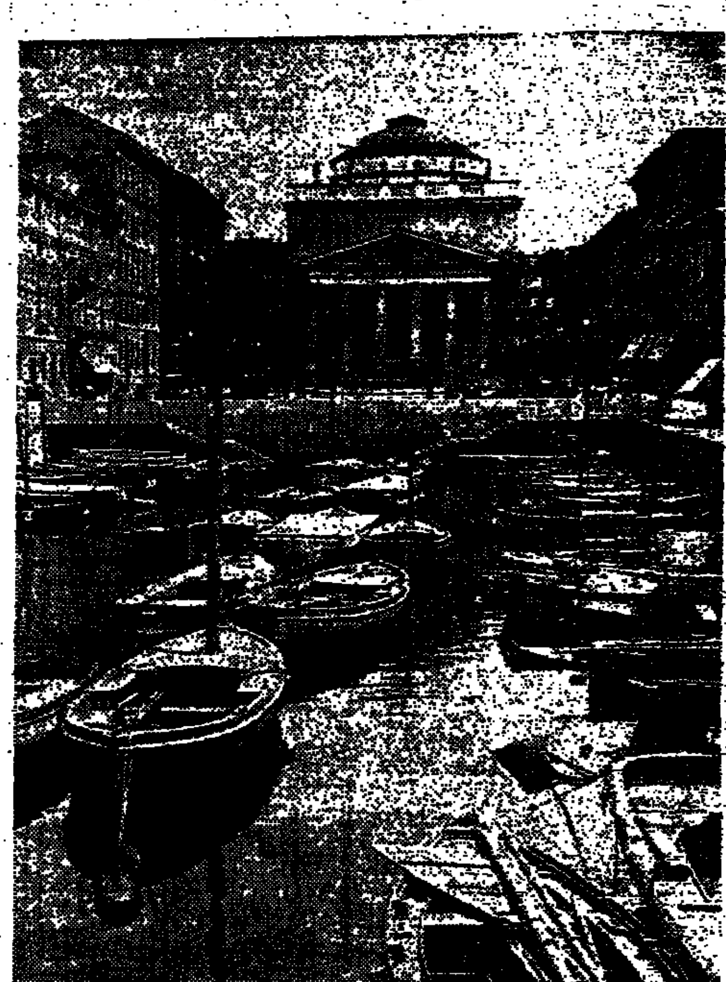
But the repressed exasperation of the city only surfaced two years ago with the ratification of the Treaty of Osimo between Italy and Yugoslavia. The fundamental aim of the treaty was to settle for good the thorny issue of the border between the two countries. Although this major political objective appears to have been achieved, the treaty provoked widespread resentment among the population of Trieste because they felt the two governments had negotiated the agreement over their heads.

What particularly irritated Trieste was not so much the actual agreement on the demarcation of the border, which formally handed over to Yugoslavia the Italian peninsula of Istria, but proposals for the creation of a joint Italo-Yugoslav free trade industrial zone on the frontier. The site chosen was the Carso, the beautiful limestone plateau which rises behind Trieste.

Apart from ecological objections, Trieste saw in the joint free zone straddling the border on the Carso a further threat of Yugoslav penetration. It suspected from the beginning that most of the workforce in the new zone would be made up of cheap Yugoslav labour. This inevitably rekindled the city's ancient sentiments of irredentism.

The Carso proposals subsequently gave rise to a petition of 67,000 signatures by Trieste citizens calling for the abrogation of the Osimo agreements. It also led to the creation of the "Lista per Trieste" and its remarkable electoral success at local level.

In turn, the "Lista" has made proposals of its own for the city's future. They include the gradual development of Trieste into a free trade zone rather similar to the north European ports of Hamburg and Bremen. It wants autonomous administration including budget control, although this, they claim, should not be regarded as a break away from Italy. Finally, it wants the Carso safeguarded on ecological grounds.



The Grand Canal in Trieste.

For the time being at least, the industrial free zone project on the Carso appears to have been postponed. Yugoslavia is now negotiating with the EEC for a new five year agreement. The Trieste Industrial zone, would represent a significant economic outlet into western European markets for Yugoslavia. But neither on the Yugoslav nor the Italian side, does there appear to be great hurry to implement this part of the Osimo agreement.

With the enlargement of the European community, Trieste is now also campaigning to regain its former status of central Europe's Mediterranean port. It is concerned it could be bypassed by the infrastructure projects linking the German and Austrian markets directly with Greece through Yugoslavia. For this reason it is anxious to accelerate projects to improve rail and road communications from central Europe to Trieste, including the motorway link to Munich through the Monte Carnico tunnel.

But the prevailing feeling in Trieste these days is pessimistic. There is an impression that nobody outside this small and once strategically crucial Italian enclave on the border between the west and the communist world wants to do very much for the city. It is being left, it seems, to live on its memories.

The recent decision of the British Government to close down next March its two-century old consulate and not even keep a so-called "listening post" on the frontier has done little to abate these fears. And it is typical of Trieste that it should not simply sit and passively accept what is coming to it.

Pay guidelines holding in Spain

BY ROBERT GRAHAM IN MADRID

THE EARLY trend in 1980 wage settlements indicates that pay increases will fall within the band laid down in the guidelines agreed by the employers' federation and the Socialist General Workers' Union, the country's second largest union. The agreement, signed on January 5, fixed a wage band of 13-16 per cent with smaller increases for companies in financial difficulty.

At Ford's plant near Valencia, a key barometer of industrial relations, a 16 per cent settlement has been agreed.

This has come in only five negotiating sessions and reflects the influence of the moderating stance of the General Workers Union. Last year there were almost two months of uninterrupted conflict at Ford over wages and conditions, which led to a loss for the year of 39,000 cars.

At Fiat, the country's largest employer in the automotive sector, some 30,000 workers yesterday resumed work after being on strike for 11 days. The management of the financially troubled company has not increased its original 10 per cent offer, however.

Mediation is now being sought, although a substantial increase on the management offer is thought in the industry to be unlikely. The strike was primarily prompted by rivalry between the General Workers Union and the larger Communist-controlled Confederation of Workers Commissions.

Norway oil talks in UK

BY FAY GJESTER IN OSLO

MR. BJARTMAR GJERDE, Norway's Oil Minister, will discuss developments on the international energy scene, including North Sea oil prices, when he meets his UK opposite number, Mr. David Howell, for informal talks in London this week.

Meanwhile, the group of companies developing the Anglo-Norwegian Statfjord Field announced yesterday that they had agreed unanimously about the field's third platform, Statfjord C. It is to be an integrated production/drilling/quarters installation, but the final decision on its type and size will not be made until later this spring.

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Bank warning on finance for Third World deficits

BY KEVIN DONE IN FRANKFURT

MORE PUBLIC funds must be provided, particularly by the International Monetary Fund (IMF), to finance unavoidable balance of payments deficits in developing countries, the Luxembourg subsidiary of the Deutsche Bank, the largest West German commercial bank, warned yesterday.

The international financial markets would have to play a major role as an intermediary and risk-taker in re-cycling the oil funds created by the rapid rise in crude oil prices. But the Deutsche Bank Compagnie Financiere Luxembourg warns in its 1978-79 annual report that the limits to the additional credit that the banks can grant will be more tightly drawn in 1980.

Many non-oil developing countries already had high external debts and, in addition, several banks were already coming close to the limits they had to impose on lending to individual countries in order to limit their risks.

More funds would be needed from the IMF, not only to finance growing balance of payments deficits but also to refinance roll-over credits coming up for repayment by highly indebted countries.

Precautions must be taken, said the Deutsche Bank, to prevent any chain reactions on the private markets that could be triggered off by a withdrawal of private loans if the economic and political situation of a debtor country suddenly deteriorated.

It suggested that the IMF would have to exert a greater influence on member countries' stability policies within the framework of the Fund's important "surveillance function."

Co-operation between the IMF and the commercial banks should be as close as possible

Much concern has been expressed by central banking authorities about their lack of power to monitor and control events on the international capital markets. But the Deutsche Bank yesterday expressed support for greater co-ordination.

"The efforts of the central banks and banking supervisory authorities to monitor healthy banking structures in the international finance markets deserve support," it said.

"The introduction of co-ordinated uniform regulations on minimum ratios between capital resources and lendings in the consolidated balance sheets of all banks should curb unhealthy tendencies in the market."

Luxembourg is still increasing its share of Euromarket financing and, in the 12 months to the end of September, comprised about 13 per cent of total foreign claims made at European financial centres.

The Deutsche Bank said that its Luxembourg subsidiary's business volume also rose strongly in the past year. Its balance sheet total rose by 17.6 per cent to DM 15.5bn (£3.92bn). Claims on banks showed the strongest growth—rising from DM 1.8bn to DM 5.6bn—but claims on customers continued to be the bank's main activity, particularly international syndicated business, with an increase of 5.5 per cent to DM 8.4bn.

Iran to sue U.S. bank in France

By Our Paris Staff

BANK MARKAZI, the Iranian central bank, is intending to start proceedings against the Bank of America's Paris branch within the next few days to recover deposits frozen under President Carter's blocking order on Iranian funds.

This move follows a series of court actions against Citibank's Paris branch in which the Iranians have so far unsuccessfully attempted to recover $50m.

The Bank of America action potentially will be more important since the Iranians are laying claim to an immediate $100m, and say that a further $100m will become due on time deposit early next month.

Bank Markazi is also seriously considering similar action against other U.S. banks in Paris, of which the most important, from their point of view, is probably Morgan Guaranty.

Action against these banks is expected to follow the line of the proceedings involving Citibank although there may be a slight change of tactics.

The Iranian central bank ran into complications in the Citibank case, when a Paris court declared itself incompetent to judge the issue under a summary procedure, and thus force the Iranians to put it through the much longer, normal legal process. The case is now due to be heard at the Paris Tribunal on March 5.

In an attempt to put further pressure on the American bank, the Iranians recently issued an attachment order on $50m held as Citibank's compulsory reserve at the Bank of France. An attempt by Citibank to annul the attachment was turned down by a Paris court earlier this week

Moscow links dissent to detente

BY DAVID SATTER IN MOSCOW

THE ARREST of Dr. Andrei Sakharov shows that the Soviet Union is prepared to add a cynical new linkage principle of its own to the East-West struggle to define the terms of detente.

Soviet authorities have stressed that the Soviet Union has no intention of retaliating against the U.S. for the grain embargo or the threat to boycott the 1980 Moscow Olympics.

The arrest of Dr. Sakharov, father of the Soviet H-bomb and leader of the Soviet human rights movement, cannot be understood, however, as anything but a direct reflection of the present conflict between the two super-powers.

The Soviet Union depicts itself as the victim of American punitive measures but, as the arrest of Dr. Sakharov clearly shows, a decision has been taken at the highest level to strike at the U.S. by retaliating against the Soviet people themselves.

Dr. Sakharov, more than any other Soviet citizen, has represented opposition to totalitarianism and the desire of some Soviet citizens for democratic liberties. There have been Press campaigns waged against him and he has been warned by the state prosecutors that he was "abusing their patience" but the Soviet desire for international acceptance always prevented his arrest.

In early 1977, the KGB began an unprecedently thorough crackdown on dissent which included the almost complete suppression of the various dissident groups which were formed to monitor the Soviet Union's observance of the Helsinki Accords. But Dr. Sakharov, whose position came to symbolise Soviet sensitivity to the opinion of the West, remained untouched.

The international situation has dramatically deteriorated and U.S.-Soviet relations have sunk to their lowest point since the years of the cold war. Dr. Sakharov has been seized and regardless of whether he is imprisoned or exiled, the action taken against him will provide an object lesson in how greatly the possibility of internal Soviet dissent depended on foreign support.

By his very presence, Dr. Sakharov afforded a measure of protection to all other Soviet dissidents who benefited from the fact that his international stature as a scientist and recipient of the highest Soviet intellectual honours lent status to the dissident movement as a whole.

Now that he has been seized, however, the Soviet dissident movement has been reduced to a diverse group of vulnerable individuals with legitimate grievances but no single internationally recognized person able to defend their interests or address the world as their spokesman.

A recent wave of arrests has depleted the ranks of active dissidents but has greatly exposed the many Soviet intellectuals who sympathised with and supported their fight for greater political liberty.

Our Foreign Staff adds: Mr. Vladimir Kirillin has been dismissed as a Deputy Prime Minister and chairman of the State Commission for Science and Technology, the high technology ministry. He is considered a liberal in Soviet terms and a man deeply involved in both scientific development policy and East-West technological and scientific exchanges.

Soviet Minister in Paris

BY ROBERT MAUTHNER IN PARIS

THE SOVIET Government is sending Mr. Georgi Kornienko, its Deputy Foreign Minister, to Paris, to explain the reasons for its invasion of Afghanistan and its future policies. The talks, due to take place today, are being held under a protocol specifying that if a situation arose which, in the opinion of the signatories, threatened world peace, the governments would consult eath other.

It is understood that the Soviet Minister is coming at France's request, following the rjection by Paris of a Soviet suggstion made at the beginning of the Afghanistan crisis that France should send a representative to Moscow.

M. Jean Francois-Poncet, the French Foreign Minister, is expected to seek some indication of the conditions under which the Soviet Union would withdraw its troops from Afghanistan.

Tax protest supported by 200,000 Dubliners

BY OUR DUBLIN CORRESPONDENT

MORE THAN 200,000 people marched through Dublin yesterday to support demands for tax reform and there were big turnouts at similar demonstrations in provincial centres.

Much of the republic's commercial and industrial life came to a standstill during the afternoon, as banks, schools, factories, shops, public transport and public houses closed. Telephone operators walked out to join the demonstration but essential services, including media coverage of the protests, were maintained.

The Irish Congress of Trades Unions, which organised the protests, wants to put pressure on the Government to shift the tax burden more to indirect taxes and to the farmers in the budget due on February 27.

The state of Government finances leaves little room for manoeuvre. Last year's current account deficit was over Ir£500m (£469m sterling) and it is accepted that both tax rises and spending cuts may be necessary.

The Irish tax system is undoubtedly weighted against the pay-as-you-earn sector but the political and practical problems of increasing revenue from farmers and the self-employed remain intractable. Raising corporate taxes—due to be reduced to a flat 10 per cent—could damage the country's industrial expansion programme.

Recent studies have shown that Irish tax bands are much narrower than those of any other country of the Organisation for Economic Co-operation and Development. The top rate of 60 per cent is reached at only I£6,000 taxable income.

Recent public expenditure figures show that direct taxes at Ir£860m amount to 36 per cent of the Government's expected revenue of Ir£2.4bn for the financial year which ends next month. Even when corporation tax and the contribution from the self-employed are excluded, the amount derived from the 600,000 PAYE contributors is believed to amount to over 80 per cent of direct taxes.

Ireland's 180,000 farmers account for less than 5 per cent of direct taxation. In the last financial year only 23,000 farmers paid tax, after claiming the various permissible allowances.

Italian PM begins U.S. visit today

By Rupert Cornwell in Rome

THE MOUNTING East-West crisis and the related issue of possible Communist participation in a new Italian government will be the key themes of the visit to Washington which Sig. Francesco Cossiga, the Prime Minister, starts today.

Sig. Cossiga, whose minority Government is under permanent threat, will have talks with President Jimmy Carter and his advisers on Afghanistan, Iran, and in particular, the uncertain prospects in Yugoslavia created by the illness of President Tito.

His welcome will be as sincere as it is imposing, for Italy has been among the most whole-hearted supporters within the Atlantic Alliance of the tough anti-Soviet policies of President Carter.

At considerable political risk, Sig. Cossiga successfully insisted on Italian acceptance of new missiles for NATO, and there are signs of a distinctly hostile commercial policy by Rome towards Moscow since the invasion of Afghanistan.

But of paramount importance during the visit will be the discussions on the Italian internal situation—and what extent, if at all, American attitudes on possible entry of the Italian Communist Party into the Government. Again the focus of political argument here, have changed.

Electoral considerations will make it hard for President Carter to make even a subtle gesture of acquiescence towards the Communists. This is likely to be exploited with continuing success by the elements in the ruling Christian Democrats opposed to any deal with the Communists.

Start up of French N-plants delayed

BY TERRY DODSWORTH IN PARIS

THE FRENCH nuclear safety authorities have blocked the start-up of two new power stations because they are not satisfied with methods for detecting cracks of the type which came to light in key metal components last year.

Automatic machines are being developed to work inside operating power stations to detect and repair faults. But the safety department at the Industry Ministry has made it clear that this equipment must be more fully tested before the reactors are started up.

It is not certain how long this period of further trials will last, although the authorities have said it will be at least "several weeks." It will delay considerably the start-up of the Tricastin and Gravelines stations in which cracks have been detected and which are already loaded with uranium.

A long delay would also affect the Commissioning of Dampierre I, the next nuclear station in tha embitious French programme to switch as much of its energy supply as possible away from oil.

The problem of the cracks first came to public notice last autumn and has already caused delays in the nuclear power programme, which is aimed at supplying 50 per cent of France's electricity needs by 1985.

Trade union action last year prevented the loading of the stations with fuel for about a month and the authorities were forced to launch a new inquiry into safety measures.

The Industry Ministry has said repeatedly that the cracks, basically surface fissures in large metal plates, do not present an immediate safety risk. But the latest decision indicates that they want to ensure against longer-term problems.

Martens faces new revolt

BY GILES MERRITT IN BRUSSELS

M. WILFRIED MARTENS, the Belgian Prime Minister, was trying last night to put an end to a new revolt, this time within his own CVP Flemish Social Christian Party that could yet destroy his fragile coalition Government.

The move marks the latest development in the crisis which broke in early January, and for a while seemed certain to topple M. Martens only nine months after he formed the country's so-called "last chance" Government.

A compromise deal agreed between the five political parties of the coalition on January 10 temporarily rescued M. Martens, but he has now dismissed three Ministers, all members of the militantly Francophone FDF Party. Thus Belgium has been technically without a government for almost a week and attempts by M. Martens to appoint new Ministers from within the CVP have been met with a new wave of Flemish demands for devolution. He now risks losing their support also, and Belgium will have neither a government nor a Prime Minister.

Hundreds held in Egyptian round-up

By Roger Matthews in Cairo

HUNDREDS HAVE been arrested and security tightened generally in Egypt because of fears of increased political and religious agitation.

The authorities have not disclosed how many people have been detained during the past fortnight but it is widely believed to be at least 400. Hundreds more are understood to have been held briefly for questioning.

The arrests have affected a wide range of the political spectrum, from Communist Left to Moselm Right.

This reflects the Government's concern, shared by some Western diplomats, that extremists could cause trouble over any one of three issues: the establishment of normal relations with Israel, the effects of the turmoil in Afghanistan and Iran and discontent over steadily rising prices.

In all cases the focus of agitation could be the Moslem extremists who have borne the brunt of the arrests, especially since bomb attacks on two churches in Alexandria earlier this month.

The Soviet invasion of Afghanistan has placed the Government in a dilemma since it shares some of the views of the most militant Moslem organisations but cannot afford to allow protests to spill on to the streets in case they take on a wider character.

Similarly the Administration seems to be in a quandary over how far it can allow magazines and newspapers to go on criticising the failure of Israel to make more positive proposals on Palestinian autonomy.

President Anwar Sadat is understood to have had a series of meetings in the past couple of days with his most senior security advisers.

Recent outbreaks of violence and agitation are blamed on agents from Iran and the main Arab rejectionist states but the authorities are known to be monitoring closely the public response to price increases.

The general economic situation is still thought to offer a greater potential threat to the stability of the regime than the more containable dangers posed by the relatively small number of Moslem extremists.

David Lennon reports from Tel Aviv: The Israeli embassy to be opened in Cairo next week will be located in the Hilton Hotel because no suitable permanent premises have been found, Mr. Menahem Begin, Israel's Prime Minister, disclosed yesterday.

Israel will complete its military withdrawal to a new interim line in Sinai on Friday, leaving Egypt in possession of two thirds of the peninsula. Normalisation of relations is due to commence with the completion of this pullback.

Pakistan plans to ask U.S. for $2bn in military aid

BY OUR FOREIGN STAFF

PAKISTAN IS to ask the U.S. for at least $2bn in military aid, according to officials in Islamabad. The request confirms Pakistan's rebuttal of President Carter's offer of $400m in military and development aid, which President Zia-ul Haq described as "peanuts" in a Press conference last week.

Pakistan claims that it needs $1bn to replace its ageing equipment and another $1bn to redeploy its forces along its western border with Afghanistan. As present, the majority of Pakistan's army faces India.

News of Pakistan's aid demand coincides with the fifth and final day of an official visit to the country by Mr. Huang Hua, China's Foreign Minister. Most of his talks with Pakistani officials focused on the implications of the Soviet invasion of Afghanistan.

It is thought that Mr. Huang, while offering assistance, told Pakistan's leaders that China would not be able to provide much of the finance needed to ensure adequate defence along the country's western border.

Mr. Agha Shahi, foreign affairs adviser to President Zia, said yesterday that Pakistan had sought to allay Indian fears of a militarily strong Pakistan. He said the Government had sought to assure Mrs. Gandhi's Government that Pakistan had no aggressive designs on any neighbour.

He insisted that the visit of Mr. Huang Hua was not part of any effort to establish a triangular alliance between Pakistan, China and the U.S. to counter the Soviet troop presence in Afghanistan.

Meanwhile in New Delhi, Mr. Kurt Waldheim, the United Nations Secretary General, said he had cancelled plans to visit several east Asian countries and planned to return to New York for consultations on Iran in the Security Council on Friday. He may stop in Islamabad in advance of the Islamic conference, which has been called to discuss the Soviet invasion of Afghanistan and is due to start on Friday.

Reuter adds from Canberra: Mr. Andrew Peacock, Australia's Foreign Minister, left yesterday on a tour of seven Asian capitals, including Islamabad, for consultations on the Soviet intervention in Afghanistan.

Growing Arab rift over invasion

BY IHSAN HIJAZI IN BEIRUT

AN INTER-ARAB rift over the Soviet action in Afghanistan was widened yesterday when the Palestine Liberation Organisation joined Syria in announcing a boycott of next Saturday's Islamic conference in Islamabad. The PLO called for a general strike throughout the Arab world to protest against the normalisation of relations between Egypt and Israel on the same day.

The Syrians and Palestinians say they are abiding by "Steadfastness Front" decision, made in Damascus last week, which called for a postponement of the Islamic meeting.

Saudi Arabia, however, has gone out of its way to ensure that the Islamabad conference, aimed at rallying Moslems against Moscow, is held on time.

King Khaled has sent messages to a number of Arab countries urging them to attend. The state-controlled Saudi press yesterday appealed to Moslems to support the rebels in Afghanistan against what the daily newspaper, Okaz, called "the atheist threat against all Islam."

But the PLO said yesterday that Arabs should declare next Saturday "a day of anger" against the normalisation of Egyptian-Israeli relations.

Observers in Beirut point out that the split is over priorities. While the PLO and hard-line Arab states insist that all energies must be devoted to counter the Egyptian-Israeli peace treaty, the conservatives, led by Saudi Arabia, see in the Soviet invasion of Afghanistan, a threat that ought to be dealt with immediately.

The present division is the most serious since the Arabs managed, at their summit conference in Baghdad in November, 1978, to achieve a consensus against President Sadat's peace initiative.

Defections give another state to Mrs Gandhi

BY K. K. SHARMA IN NEW DELHI

MRS. INDIRA GANDHI, India's Prime Minister, yesterday gained control of another state when the Chief Minister of Haryana in north-west India defected from the Janata Party to her Congress (I) Party with 37 other members of the state assembly. This makes Congress the majority party in the 88-member state assembly where it had only eight members before.

But Mrs. Gandhi suffered a setback in the southern state of Kerala where the Left Democratic Front led by the Communist Party (Marxist) won a comfortable majority in the 140-member assembly, polling for which was held on Monday.

Events in both states, at opposite ends of the sub-continent, are important since they focus attention on the battle now being fought for control of the country's 22 states. To be able to rule effectively after her sweeping victory in elections for the national Parliament, Mrs. Gandhi must control a majority of the states.

When she became Prime Minister, her Congress (I) Party ruled just one state—Andhra Pradesh in the South. Within a couple of days, the southern state of Karnataka fell to her when its Chief Minister, Mr. Devraj Urs, resigned. Members of his party defected en masse to the Congress (I) which now forms the Government there.

More defections by pliable politicians are expected to follow in most of the other states. Mrs. Gandhi needs to control the states quickly if she is to provide effective Government, on the law and order question which is a state matter. Moreover the state legislatures will elect one third of the membership of the Rajya Sabha (Upper House of Parliament) in April when biennial elections are due. Mrs. Gandhi's party is at present in a minority—the Upper House.

Japan's power companies seek 65% increase

By Richard C. Hanson in Tokyo

EIGHT of Japan's electric power utilities have submitted proposals to the Minister of International Trade and Industry, which would boost electricity charges by an average of 65 per cent from April 1.

The power industry, which depends on fuel oil for about 80 per cent of its generating capacity, argues that the increase is necessary to cover the losses it is suffering from higher prices for oil and liquefied natural gas.

According to the Economic Planning Agency, the direct impact of an increase of over 50 per cent would be to add 1 percentage point to consumer inflation over the next fiscal year.

The prospects for corporate profits also dim considerably when the higher cost of electricity is calculated. One survey indicates that operating profits will be reduced by 14.8 per cent next year if electricity charges rise 50 per cent and 17.8 per cent if the industry's full request is granted.

South Africa reaps golden harvest

BY BERNARD SIMON IN JOHANNESBURG

THE South African Reserve Bank, sales agent of the country's 35 gold producers, is gradually taking a more active role in the international bullion market. It can no longer be relied on to sell constant daily tonnages to a small band of customers in Switzerland and Britain.

Since 1976, the bank has broadened its market to include U.S. bullion dealers, such as J. Aron and Company and Republic National Bank, as well as two West German banks, Deutsche and Dresdner. These newcomers' share of South African sales has been rising in recent months and is estimated by private sector sources now to be around 20 per cent of the total. A German banker said: "We're very happy with what we've been getting from the Reserve Bank in the past two-three months"

The main reason for their bigger share is, simply, that they have been offering better prices. For long periods of last year, German and American customers quoted much narrower spreads between buying and selling rates than did the Zurich gold pool.

The Americans' and Germans' meat has been Zurich's poison. The Swiss gold pool, which had a virtual monopoly on Pretoria's gold in the late 1960s now takes only about 60 per cent. British dealers account for 20 per cent. It is unlikely, however, that Zurich's share will fall much further. Swiss banks have done much to promote the gold market and have been among the biggest investors in South African foreign loans. Pretoria is thus unlikely to desert them. In any case, the Swiss have made up for their loss of bullion by becoming keen Krugerrand customers, Swiss Bank Corporation was by far the biggest buyer of coins last year, taking about 40 per cent of the 4.9m coins sold abroad.

Besides diversifying their customers, the South Africans have also begun to withhold gold from the market to keep up prices. Reserve Bank officials say that volumes may be cut for several days while they wait for prices to harden.

The tap has never been completely closed, however. The London market gets some bullion every working day, though other customers may occasionally get nothing. "It is still our policy to sell current production all the time, especially at the moment," said a senior Reserve Bank official.

On one occasion last October, when the bullion price slipped from $437 per ounce on October 2 to $368 on October 5, South African sales are believed to have dropped—no doubt one reason why the price climbed back through $400 by October 10.

To increase its flexibility without giving the market too many clues about short-term sales policy, the Reserve Bank switched three years ago from publishing weekly figures of its gold holdings to monthly releases. The Government has also scrapped the law which compelled the bank to hold at least a quarter of its note issue and other public liabilities in the form of gold.

Of the 703 tons of gold dug out of South Africa's mines last year, some 22 per cent was used for Krugerrands, which was slightly less than 1978, when almost 27 per cent was diverted for the minting of coins.

Bullion production in 1979 therefore totalled around 540 tons. Pretoria sold a total of about 590 tons, however. The extra 50 tons came from reserves, and consisted mainly of gold repurchased by South Africa from the Swiss banks with which it negotiated a series of "swaps" in 1976 and 1977.

These swaps, which amounted to about 8m oz (roughly 225 tons), were arranged to tide South Africa over a critical shortage of foreign exchange. It was a condition of the arrangements that the foreign parties might not dispose of the gold before South Africa had exercised its option to repurchase it.

The swaps were negotiated at an average price of around $110 per ounce. The repurchase price is of course higher, reflecting the interest paid by Pretoria for its foreign exchange. But it is far below current market prices. By selling this gold now rather than three or four years ago, the Reserve Bank has thus scored handsomely.

Not all the repurchased gold has been sold. Since October the Reserve Bank has been putting some back into reserves. Its gold holdings totalled 10.03m ounces at the end of December, compared with 9.612m last September.

Despite the Reserve Bank's more active role in the market of late, the mining houses argue that it could do still more to increase their earnings from gold. Anglo American, which produces about 47 per cent of South Africa's gold, would like the industry to do its own selling. The six other major mining houses do not go as far but do want a bigger say in the bank's marketing policy.

For a start, some mining houses would like the production of marginal mines, whose costs were until recently higher than the price they received, to be hedged on futures markets. It has also been proposed that Reserve Bank dealers, like their Russian counterparts, should "play" the market more by sometimes buying gold, rather than always being sellers.

The Reserve Bank says that its meagre foreign exchange holding restrict its ability to become a more active participant. One senior official said: "If every producer starts selling its own gold, it may cause chaos." But he added: "We may be more flexible in future."

KRUGERRAND SALES AS A PERCENTAGE OF GOLD PRODUCTION

Year	South African gold production kg fine	Krugerrand sales kg fine	Krugerrand share of production %
1970	1,000,417	6,563	0.7
1971	976,297	17,113	1.8
1972	909,631	16,911	1.9
1973	855,179	26,727	3.1
1974	758,559	99,645	13.1
1975	713,447	149,419	20.9
1976	713,390	93,464	13.1
1977	699,887	103,616	14.8
1978	704,449	187,003	26.5
1979 (prelim.)	703,345	153,657	21.8

David Buchan in Iowa on the start of the race for the White House

Kennedy stalls at starting gate

Losers and gainers in Iowa: Senator Edward Kennedy (left) and Mr. George Bush and his wife after yesterday's election results.

IOWA IS not a boastful state—except when it comes to corn, livestock and tractors. It sends fewer than 2 per cent of the delegates to the national party nominating conventions. But because it starts choosing these delegates—in a couple of thousand precinct caucuses which take place in schools, fire stations, living rooms—earlier than any other state, it is the political starting gate for the U.S. Presidential race.

On Monday night, Iowans turned out in record numbers to their caucuses and gave two "upset" victories to President Jimmy Carter and the relatively unknown Mr. George Bush on the Republican side. In turn, the Iowa results set the tone for the primary elections proper, as the political spotlight swivels to New Hampshire next month.

The more surprising result here was the trouncing of Senator Edward Kennedy, who received only 34 per cent of the votes, and therefore the delegates, compared with 59 per cent for President Carter. Kennedy campaign staff had privately conceded that a lag of more than 10 points behind the President would be a serious blow. The President's men were understandably cock-a-hoop.

Only a few months ago, the President was seen as the underdog. That is, until the onslaught of the Iran and Afghanistan crises, creating a climate in which many Americans—and Iowans wear patriotism on their farm overalls — felt their President deserves support in this time of trouble.

A quietly jubilant Presidential Press Secretary, Mr. Jody Powell, under-scored this here on Monday night, when he said the Iowa result "sends a message overseas."

Startlingly, the grain embargo which Mr. Carter has imposed on the Soviet Union cost the President nothing in Iowa, despite Senator Kennedy's strong opposition to the measure.

It may well depress grain prices, affecting the whole economic cycle of a farm belt state, but in Iowa, where 12 per cent of the workforce work on the land and nearly half the population are involved in farm-related sectors, the reaction of one grain elevator operator east of Des Moines seemed typical.

"I have three grandsons, and if we're not willing to send the Russians a strong signal now, they may wind up getting drafted into the army," he said.

Such a signal, many Iowans feel, should not only involve sacrifices by farmers but also include an Olympic Games boycott by American athletes. Talk of war over Iran or Afghanistan is taken very seriously out here.

Senator Kennedy may perhaps attribute part of his defeat in his first electoral race outside Massachusetts to this current mood. But his Iowa defeat cannot be put down to that organisation.

He campaigned hard here, both personally and with numerous members of the Kennedy clan, had some considerable support among unions, notably the United Auto Workers, who make tractors here, and ended up spending as much as President Carter ($480,000).

Morale and money

His problem now is to sustain morale and money—the two are closely intertwined—through the next series of primaries which may provide a stand-off between himself and the President.

New Hampshire and Massachusetts are both in his backyard, while the early March primary states of Florida, Alabama and Georgia are in Mr. Carter's home patch.

There is absolutely no question, his staff say, of him pulling out until foreign crises have subsided to give the Senator a decent opportunity to tackle the basic economic issues of inflation and employment. There he will recoup on Iowa, they claim, and they may be right.

One factor working for Kennedy may be the declining fortunes of Governor Jerry Brown, who was always likely to woo more voters away from the Senator than the President. Governor Brown formally withdrew from the Iowa caucus last week, urging his supporters to vote "uncommitted." But only 9 per cent declared themselves uncommitted in the Democratic poll.

Success in caucuses, which increasingly have given way to straight primary elections to pick delegates, depends more on nuts-and-bolts organisation and getting out the activist vote than on big money aimed at a large across-the-board vote. Thus Iowa has proved the ideal springboard for an unknown like Jimmy Carter in 1976, and now for Mr. Bush who said delightedly on Monday night: "I wouldn't resist the parallel."

Mr. Bush's victory (34 per cent) over Mr. Ronald Reagan (27 per cent) and the rest of the Republican pack is his reward for nearly 18 months' hard work in Iowa, footslogging and hand-shaking around the precincts. Mr. Bush has done better than he could have dared hope, partly because Mr. Reagan shunned the Iowa TV debates earlier this month and spent only 31 hours in the state.

Bush has all the credentials a candidate can want: a former Congressman, a former director of the Central Intelligence Agency, a former envoy to Peking, an Ambassador to the UN. But he has never won a state-wide race and twice failed for the Senate in Texas.

Mr. Reagan's strategy of coasting along on his 1976 network seems unlikely to hold good now that he is not technically the front runner. But the Republican contest is not yet the two-horse race that the Democratic fight is. Senator Howard Baker earned himself a creditable third place with 17 per cent, having held back to make himself the anti-SALT Treaty spokesman in a Senate debate that will not now take place this year.

Public opinion

Among the rest Senator Robert Dole came bottom of the Iowa poll and the lone Republican moderate, Mr. John Anderson did well enough to plug on.

The turn-out—over 200,000 Democrats and Republicans combined—would tend to confound past criticism that the caucuses are not a true popular test. But there are still other interesting ways of gauging public opinion. On Monday, before the polling started, a disc jockey in the small north-west Iowa town of Emmetsburg asked viewers supporting President Carter to flush their toilets. A drop of one foot in the level of the town's water tower was detected. Then all pro-Kennedy Democrats were instructed to flush. There was no detectable drop. The disc jockey concluded correctly, that Kennedy was "in deep water up here."

Alternative sought to consumer price index

By David Lascelles in New York

REACTING to mounting criticism of the Consumer Price Index, the U.S. Bureau of Labor Statistics, which compiles it, is to explore other ways of tracking price movements.

But it stresses that for the time being the index is the best measure around, and that no quick changes will come because many labour and business contracts are built around it.

Criticism has come from two quarters, both of which argue that the index tends to exaggerate price rises, although few people claim that it understates inflation.

Politicians striving to fight inflation maintain that while the index showed an increase of 12.6 per cent in the 12 months to November, the real increase was below this.

These claims might seem self-serving, except that many economists share their view, and have produced data to back up their positions.

The main criticism centres on the housing cost element of the index. Home ownership has a weighting of some 23 per cent in the index, and in the latest index it showed a gain of over 18 per cent for the previous 12 months, or 50 per cent more than the index as a whole, mainly because of sharp rises in house prices and record interest rates.

However, few consumers are directly affected by these rising costs. Hardly anybody moves house every year. Furthermore, most American home owners are on fixed mortgages whose interest rates do not vary in line with the money markets.

Many home-owners are paying 5 per cent or less, compared with the going rate in New York of 12.5 per cent.

Critics also argue that the index fails to take into account the changes which have occurred in spending patterns since it was put together in its present form in 1972.

In a recent study of inflation, Mr. Terry Larsen, the economist of Philadelphia National Bank, argued that a far better measure than the index is the so-called personal consumption deflator, "which adjusts the gross national product from nominal to real dollars and reflects spending patterns."

This measure suggests that in the five years from 1974 to 1979, inflation was 6.9 per cent a year, compared with the index's 8 per cent.

Congress studies Carter response to Afghanistan

WASHINGTON — The U.S. Congress resumed work yesterday, after a month's recess, with an immediate examination of the Administration's response to the Soviet invasion of Afghanistan.

The Senate and the House of Representatives were also due to consider a measure to ease trade restrictions against China by granting it most-favoured-nation status.

Administration officials from the Commerce, State, Defence and Agriculture Departments were to be questioned by a Senate Finance Committee about the embargoes on exports to the Soviet Union imposed because of the invasion of Afghanistan.

Also due to testify were Senator George McGovern of South Dakota who, like other members from agricultural states, has come out against the curtailment of grain shipments.

The impact of the embargo on U.S. farming were to be the subject of a Senate Agriculture Committee hearing.

Measures to aid the Government of Pakistan were outlined to the Senate Foreign Relations Committee on Monday by Mr. Cyrus Vance, the Secretary of State.

Reuter.

Windfall profits tax approved

WASHINGTON—A House and Senate tax conference committee has agreed on a windfall oil profits tax which would raise $227.5bn over the next decade. Some $22.5bn of that would be levied on independent oil companies.

The tax conference committee reached the compromise windfall profits tax plan after settling the issue of how much tax would be paid by the independent oil producers—the small oil producers which do not engage in marketing.

Reuter

More support for Games boycott

BY OUR FOREIGN STAFF

PRESIDENT Jimmy Carter yesterday won further support for his proposal that this year's Olympic Games be moved from Moscow in retaliation for the Soviet invasion of Afghanistan.

Mr. Malcolm Fraser, Australia's Prime Minister, said in Melbourne that he has asked Australian Olympic officials to boycott the Games if the Soviet Union does not withdraw its troops. He said the Games should otherwise be transferred to another site or cancelled altogether.

Mr. Robert Muldoon, New Zealand's Prime Minister, also said yesterday that his Government supported moves to shift the Games from Moscow. It was announced at the same time that Mr. Sergei Zimin, the Wellington correspondent of the Soviet news agency, Novosti, is to be expelled.

The Australian and New Zealand announcements intensify the international pressure for a change in arrangements for the 1980 Olympics. Previously, Saudi Arabia, Egypt and Qatar had said they would boycott the Games. Most Western countries have yet to make their precise views known on the U.S. proposal.

A team of Soviet athletes was reported to have left Moscow yesterday to compete in the U.S., while a U.S. wrestling team is already touring the Soviet Union. Plans for the Winter Olympics at Lake Placid in the U.S. next month are also going ahead.

In Japan, the executive board of the ruling Liberal Democratic Party has unanimously agreed that Japan should boycott the Games, but its decision is not binding on the Government or on Japan's Olympic Committee.

Among Western countries, Denmark has said through its Foreign Minister that it is sceptical of the usefulness of a Games boycott.

China, on the other hand, although likely to allow other countries to take the initiative, might join countries like the U.S. and Britain if they lead a move away from Moscow.

Reuter reports from Wellington: New Zealand has turned down a U.S. request to join a trade embargo against Iran, Mr. Muldoon said yesterday.

Mr. Muldoon said his Government thought it best to try to de-escalate the crisis rather than take action which might exacerbate it. He said there were indications that Iran's attitude was changing because of the Soviet invasion.

Mexico seeks stronger links with Nicaragua

BY WILLIAM CHISLETT IN MEXICO CITY

PRESIDENT Jose Lopez Portillo of Mexico will visit Nicaragua tomorrow in an attempt to strengthen links with Nicaragua's revolutionary Government.

Mexico was instrumental in the overthrow last July of Gen. Anastasio Somoza, the Nicaraguan dictator, by giving material and moral support to the Sandinista guerrillas.

After Gen. Somoza fled Nicaragua and the Sandinistas established their government of national reconstruction, Mexico quickly moved to help with an aid programme.

Sr. Lopez Portillo's visit is in line with a more active foreign policy by Mexico, which was elected to the UN Security Council earlier this month.

Previously, Mexico had concentrated all its efforts on its traditional foe, the U.S. Now, emboldened by its oil wealth, Mexico is flexing its muscles and taking a greater interest in developments south of its border.

Mexico's Institutional Revolutionary Party which has ruled for 50 years, recently set up a Latin American-based organisation which groups together 22 political parties from 16 countries including the Sandinistas. Its establishment suggests that Mexico sets some store by its links with Latin America, which is looking in turn to Mexico as a potential leader of the continent.

Nissan goes ahead with U.S. truck assembly plan

BY RICHARD C. HANSON IN TOKYO

NISSAN MOTORS, the maker of Datsuns, has concluded it can produce small trucks in the U.S. and is pressing ahead with tentative plans to build a 10,000 trucks-a-month plant somewhere in the American Mid-West.

Nissan officials confirmed the plan last night after Nissan's president, Mr. Takashi Ishihara, indicated at a Press conference that preparations had advanced to the point where a U.S. investment move could be made within the year.

Nissan would, thus, become the first of the two Japanese motor industry giants to commit themselves to building a manufacturing plant in America. Honda has already announced that it will build a car assembly plant next door to its motorcycle plant in Wisconsin.

Toyota, the biggest Japanese motor company, has yet to reveal any plans for the U.S., but its executives also recently have said that small truck production would be the first step.

The tentative Nissan plan is to produce the small trucks at first on what would amount to a "knock down" basis. The major components would be shipped from Japan, with a gradual increase in locally made parts as suppliers are found.

Nissan is still vague about the location it might choose, but believes that industrial states like Ohio or Wisconsin would provide the most suitable site.

Nissan also has not disclosed how much money would be involved in construction of a truck plant.

For both Nissan and Toyota producing small trucks has become the most attractive way of establishing an American manufacturing presence, for several reasons. Trucks are much more simple to build, require fewer parts (and which might be more readily available from American suppliers than with passenger cars) and model changes are less frequently needed.

The most compelling reason, however, has to do with the possibility that the U.S. Treasury will decide to raise the import duty on small Japanese trucks to a prohibitive 25 per cent. At present the trucks are subject to a much lower 4 per cent rate which applies to parts. The Japanese car companies opened this "loophole" by shipping truck cabs and backs separately.

The Japanese are being asked to present their arguments against raising the tariff to the Treasury later this month.

AP-DJ adds: Isuzu Motors said yesterday that it is planning to establish a company in the U.S. by the end of this year to import and market Isuzu cars.

Isuzu said the company will set up the U.S. sales subsidiary jointly with C. Itoh, the major Japanese trading house.

Italy in East bloc hotel initiative

By Rupert Cornwell in Rome

FOUR ITALIAN concerns have joined in a consortium aimed at providing the Soviet Union and other Eastern bloc countries with a complete package of supply hotels, motels and other tourist facilities.

The four are Montedil, the construction subsidiary of the Montedison chemical group, Merloni, Dal Vera, and Conaco Costruzioni, the building division of the Lega delle Cooperative, the Left-dominated Italian co-operative movement.

The initiative, announced in Milan yesterday, is aimed at taping a new market which, despite present international tensions, has great potential, in view of the significant development of tourism in Eastern Europe.

Should it prove successful, it will provide a useful source of export earnings, especially for many small and medium-sized companies dependent on tourism.

The main building side will be left to Conaco Costruzioni, while Montedil will handle "know-how" and technological aspects. Merloni will provide plumbing, sanitation and technical services, with Dal Vera in charge of furnishing and other accessories.

Reuter reports from Rome: Importers increased their share of the Italian car market last year to an estimated 39.6 per cent., 0.6 per cent up on 1978, industry figures show.

In 1979, Renault had 9.7 per cent of the market, Citroen 5.5 per cent, Ford 5 per cent, and Talbot 4.8 per cent, according to provisional estimates.

Fiat kept first place among Italian makes with 44.1 per cent

David Dodwell reports on the impact of Third World export growth

Mixed blessings for the West

STIFFER PROTECTION against Third World imports is unwarranted and is unlikely to be effective, according to a report just published by the Economist Intelligence Unit.

In fact, the industrialised western economies are the net beneficiaries of trade with the rapidly industrialising developing countries, and will continue to benefit for many years to come.

The report assesses the impact of rapid export growth in nine newly industrialising countries (NICs) on manufacturing industries in the West. The countries chosen—Taiwan, South Korea, Hong Kong, Spain, Yugoslavia, Singapore, Mexico, Brazil and Portugal — represent an elite among developing countries.

Main points made in the report were:

● Exports worth \$54bn from the leading OECD countries to the nine NICs examined, earned the West a trading surplus of \$15bn in 1978 compared with \$9bn in 1970. For the OECD countries, imports from NICs still only account for between 5 and 10 per cent of total imports.

● The industrialised nations have gained more employment through exports to the NICs than they have lost in imports from them.

● The NICs face problems structural to their manufacturing industries, which are likely seriously to hamper their assault on the more sophisticated industries of the West.

● The main problems faced by many manufacturers in the West are concerned with adjustment in industries that are already in decline. Competition from Third World exporters adds to their problems and rarely creates them.

"Although in aggregate, Western trade balances with newly industrialising countries are deteriorating in real terms, and although the NICs are to a limited extent eating into traditional Western markets in other developing countries, the overall balance of advantage in trade lies firmly with the Western countries as a group."

On the employment effect of growing exports from NICs to the industrialised West, the report notes that only the U.S. and Canada lose more jobs than they gain, a fact "which reflects their general lack of competitiveness in trade in manufactures, not least with other industrial countries."

In 1977, the U.S. lost 532,000 jobs due to NIC imports, gaining 294,000 by exporting to them—a net loss of 238,000 jobs. Canada lost 30,000 jobs.

In contrast, Japan gained a net 256,000 jobs, with Italy gaining 41,000 jobs and West Germany 31,000. Britain and France gained between 3,000 and 4,000 apiece.

Each additional \$1m of imports from NICs costs about 40 jobs in the industrial West, the report says, while every additional \$1m of exports to the NICs creates 25-30 jobs. "The industries displaced tend, therefore, to be somewhat more labour-intensive than those stimulated."

On protectionism, the report is unequivocal: "In the longer run, it merely encourages NICs to accelerate shifts into related exports, those not as yet subject to controls or almost impossible to control effectively.

"Protection simply therefore gives Western industry time to adjust to the new conditions of competition—to rationalise its structure, update its technology and, above all perhaps, concentrate on those sub-sectors and processes in which it can still be competitive."

The report claims that protectionism and subsidies to threatened industries can actually be counter-productive. It can reduce the private and public funds that might otherwise be available to competitive industries, and "the inefficiency which is liable to be fostered tends to be a disease."

The NICs have three basic assets—low labour costs, high flexibility, and considerable Government emphasis on the stimulation of export industries—but the report emphasises that they face problems that will slow their encroachment on to the West's more spohisticated industries.

While the NICs can expect steadily to improve exports to the West, they will make more rapid progress in Japan and France than elsewhere, the report claims.

EIU Special Report No. 73. The New Industrial Countries and Their Impact on Western Manufacturing. £50.

Scotch industry attacks France

FINANCIAL TIMES REPORTER

A STRONG attack on the way in which France discriminates against Scotch whisky was launched in London yesterday by Mr. Ian Coombs of the Scotch Whisky Association.

France had pursued a "long-standing and blatant" policy of protectionism, he said and went on to accuse the French of stepping up that discrimination.

Mr. Coombs' attack was made during the presentation of the industry's annual export figures. These showed that overseas earnings reached a record £707m last year even though shipments by volume were slightly down on the record 1978 level.

Mr. Baxter complained that in the EEC, the industry's second most important overseas market after the U.S., "virtually all the barriers which we faced when Britain joined the Community remain." Looking to the future, though, he felt that Britain was on the verge of gaining considerable concessions.

By the end of the month the EEC Court of Justice is expected to find against Denmark, Ireland, France and Italy for discriminating against Scotch in favour of their own domestic spirits.

"The worrying case was France, which not only discriminated in this way but also bans the advertising of Scotch, a point on which the Court may not rule for some time.

French manufacturing and consumption taxes add Frs 22.50 (approximately £2.40) to the retail price of a bottle of Scotch compared with an extra Frs 15 (£1.60) on a bottle of cognac and Frs 11 (just over £1) on rum.

To make matters worse the French are to raise the tax on Scotch by Frs 4.50 (about 50p) on February 1 compared with much lower increases on cognac and rum. Mr. Coombs said this would increase the tax advantage already enjoyed by those spirits at the expense of Scotch.

Turkey sets \$7bn import target for 1980

BY METIN MUNIR IN ANKARA

TURKEY HAS set itself an ambitious import programme of \$7bn for 1980—a target which surpasses the International Monetary Fund's estimates by \$1bn, and is in excess of last year's import estimate by 35 per cent.

The Government believes this is the absolute minimum for increasing capacity utilisation, which has been low since 1977 because of severe foreign currency constraint.

Particular emphasis will, therefore, be placed on meeting demand for investment and intermediary goods, as well as relieving domestic scarcity in basic consumer items.

To fulfil this import programme, the Government is counting on \$1.65bn in programme and project credit, \$1.65bn in remittances from expatriate workers, and \$3.5bn in export earnings.

These targets may seem somewhat ambitious in the light of last year's achievement. But their fulfilment may be possible if, as promised, Mr. Suleyman Demirel's free enterprise minority Government liberalises the economy and follows realistic policies to encourage exports and remittances. Discontinuing the system of maintaining an overvalued Turkish lira is vital in this respect.

More than 60 per cent of imports will go towards meeting the needs of industry. But most of the foreign currency will be claimed by the oil bill. This is variously estimated at between \$3.5bn and \$4bn in 1980.

Debt repayment will amount to \$860m this year, according to official figures.

The 1980 current account deficit is estimated at \$3.5bn. This compares with an IMF estimate of \$2.5bn and last year's estimated deficit of \$2.65bn.

Again in the light of last year's figures, the export target of \$3.5bn may appear too ambitious. To fulfil this target, imports of agricultural commodities, which account for nearly 60 per cent of the total —should increase by 26 per cent, mineral exports by 18 per cent and manufactured goods by 60 per cent.

A better assesment of the feasibility of attaining these targets will be possible after Mr. Demirel's economic package is announced.

The Turkish Press has been reporting that this package will be unveiled this week. However, the measures are believed not to be ready yet.

West Europe chips market 'will reach \$1bn in 1990'

FINANCIAL TIMES REPORTER

THE Western European market for semiconductor memories, chips which can store increasingly large amounts of information on a few centimetres of silicon, is expected to grow by 22 per cent a year to a value of \$1.1bn in 1990, according to a report by Frost and Sullivan.

The estimated market this year is \$332m, of which the largest end user is the computer sector, with nearly 88 per cent. That proportion is expected to fall to 85 per cent of the 1985 total of \$777m, and 80 per cent of the total in 1990.

Industrial end users will account for 7.9 per cent of the market in 1990, with consumer electronics taking 7.6 per cent and other applications, 4.3 per cent. At present, West Germany accounts for 39 per cent of all uses, with the UK and Ireland taking 20 per cent and France 16 per cent.

The most popular type of memory is forecast to be that based on metal oxide silicon (MOS) technology.

VW picked for Peru car project

By Our Foreign Staff

PERU HAS selected Volkswagen to assemble the Passat car and a 5-6½-ton truck. This is part of the programme aimed at developing a motor industry in the five Andean Pact countries.

VW, which presented its bid with nine other international companies in April last year is offering to invest at least \$100m in Peru. The company already has an assembly plant in Lima and has been assembling the Beetle there for the past 10 years. The completely knocked down kits are imported from Brazil although approximately one-third of the parts are now produced in Peru.

Renault is second on the short list and should the negotiating commission fail to reach agreement with Volkswagen it would then open discussions with Renault. Other companies bidding for car assembly here include Volvo, Fiat, Ford, General Motors, Nissan and Toyota.

Vehicles which are also to be assembled in Peru but which have not yet been assigned to any of the companies include a second medium-sized passenger car. Offers include the Fiat Mirafiori, the Datsun A10, the Renault R18 2000 model and the Toyota Corona.

A second project to produce medium-sized trucks as well as heavy duty trucks is also planned. These are currently assembled by Volvo which also assembles buses in Peru.

The terms of the cars tender require companies to assemble basic parts like engines, gear boxes, rear axles, drive shafts and rings as well as special parts like oil pumps, spark plugs and windscreen wipers. The vehicles must incorporate at least 70 per cent local parts by 1985.

Companies currently assembling motor vehicles in Peru apart from Volkeswagen and Volvo are Chrysler—which is leaving in June—Toyota and Datsun.

Matsushita-JVC pact

BY JOHN LLOYD

MATSUSHITA ELECTRIC, one of Japan's biggest electronics companies, and its financial subsidiary Japanese Victor Company (JVC) have agreed to adopt a common format for developing a video disc system, after pursuing research into separate systems for some time.

The agreement marks a further stage in the jostling for position in what is seen as one of the most lucrative consumer elecaronics markets of the 1980s.

Following the Matsushita/JVC agreement, there are three systems now publicly announced: the Philips/MCA optical tracking systems, using a laser beam; the RCA groove-guided capacitance system and the JVC electro-tracking capacitance system.

Siemens, Fuji in marketing joint venture

By Jonathan Carr in Bonn

SIEMENS of West Germany and Fuji Electric of Japan are to establish a joint enterprise to market the electronic components of both companies.

The new concern, called Fuji Electronic Components (FEC), will be based in Tokyo and capitalised at Y200m (£372,400) to which Siemens and Fuji will each contribute 50 per cent.

FEC will take over the marketing of all Siemens components in Japan — including integrated circuits, discreet semi-conductors, passive devices and electronic tubes.

AP-DJ adds from Munich: Siemens has been granted permission to set up service centres for ship electrical systems in Chinese ports by the China Corporation of Shipbuilding Industry (CCSI). Siemens said the first service centre, including a spare-parts warehouse, would be opened in Shanghai. A company official said he could not give a money value for the contract because that will depend on the future volume of business and services delivered by Siemens.

BL will keep two specialist companies

By Hazel Duffy, Industrial Correspondent

BRITISH Leyland has decided officially to retain two of its specialist engineering companies, Aveling Barford and Prestcold, because no suitable buyers offering an acceptable price have emerged.

A recovery plan has been drawn up by Aveling Barford and agreed by BL. It is designed to put the consruction equipment company back into profit within two years. At the Prestcold commercial refrigeration group, now profitable after the closure of two Scottish factories, the emphasis will be on consolidation followed by growth.

BL has also agreed to give *Prestcold more responsibility* for its affairs, especially in financial control.

Aveling Barford announced yesterday that it has orders of £10.5m, considerably more than at the start of last year. About 60 per cent are for exports.

The recovery plan means the Grantham workforce being cut to 1,700, with 300 redundancies. Two companies in the group, Barfords of Belton and Goodwin Barsby, have been hived off from the Grantham operation.

Aveling Barford will concentrate on dump trucks, graders and compaction equipment and seek to expand within these categories by reaching trading and marketing agreements with similar companies overseas.

○ Aston Martin will make a statement tomorrow on the now [illegible]-times-delayed expected offer for the MG sports-car business by the consortium it is leading.

Leyland Vehicles cuts 750 Scottish jobs

BY RAY PERMAN, SCOTTISH CORRESPONDENT

LEYLAND VEHICLES yesterday announced that it will be making 750 people redundant from its light/medium division factories in Scotland as part of the continuing programme to reduce heavy financial losses.

Most of the jobs will be lost from the truck and tractor factory at Bathgate, West Lothian, although 55 are also to go at Albion Motors, Glasgow, and another 50 will be lost with the closing of the division's headquarters in Edinburgh.

Mr. *Ian McKinnon, general* manager of light/medium division, told unions that the redundancies were not negotiable and that any industrial disruption because of them would endanger Leyland's £175m investment plan for its Scottish factories.

He was confident the division could go on to recovery provided it could overcome this hurdle without unrest. Leyland Vehicles had shed 5,000 jobs last year, but all from English factories.

The Scottish operation has lost substantial sums in the last two years, largely as a result of industrial disputes, but also because of falling market share abroad brought about by the increased strength of sterling.

The division was hit hard by the transport dispute last January, and turned in only 40 per cent of its target in August and September because of the national engineering dispute.

Another blow to the factories was the decision by JCB, the construction equipment manufacturer, to open a factory in Wrexham, North Wales, to build skid units—gearboxes and rear axles—rather than taking them *from* Bathgate.

JCB will still buy diesel engines from Leyland, but the loss of work at Bathgate, which has been supplying 6,000 skid units a year, will be considerable.

● Mr. George Younger, Secretary of State for Scotland, said *last night* that he was extremely sorry to hear about the redundancies, but they were the result of a commercial appraisal.

"There is no doubt that the loss of market share following the engineering strike was a major factor in this decision, providing another example of the way disputes can seriously affect long-term employment prospects."

● The Scottish TUC said it would seek urgent meetings with the unions at the two plants to examine the position.

Mr. James Milne, secretary, said: "The announcement shows yet again the impact of Government policy on our manufacturing *industries*."

Mr. Tom Adam, local district secretary of the engineering union, said the redundancies were "not entirely unexpected." He will meet shop stewards today.

Paisley denies boycott pact

BY STEWART DALBY

WHILE THE resumed constitutional conference on Northern Ireland appeared to progress at a snail's pace yesterday, it was overshadowed by a public row between the Rev. Ian Paisley, the main Unionist attending the conference, and Mr. James Molyneaux, the leader of the Official Unionist Party which is boycotting the talks.

At the end of the second day of the new session of the conference a [illegible] official statement said that the talks had moved on to a discussion of the first two [illegible] revised agenda. These were whether there should be [illegible] body or more and [illegible] should be trans- [illegible] governmental arrangements in Northern Ireland.

The conference has been narrowed down to discussion of possible devolution of political powers to Northern Ireland.

A second set of talks about contentious subjects such as Irish unity and security is due to take place—possibly next week. Mr. John Hume, the leader of the Social Democratic and Labour Party, the main Catholic group attending the three party talks, has agreed to attend the parallel talks.

Mr. Paisley said yesterday that he was amazed by Mr. Molyneaux's statement saying that both parties had agreed on October 25 that they would not attend the conference. Mr. Paisley had indicated that he would try to meet the Official Unionists in an attempt to get them to take part in the talks. Possibly fearing that this was an attempt to divide and rule his party, Mr. Molyneaux yesterday issued a statement saying that he had made this pact with Mr. Paisley.

Mr. Paisley called this statement "ridiculous" and said he had informed Mr. Molyneaux that he would not attend any conference where the Irish dimension was discussed or where *talks about power-sharing* along the lines of the old Stormont was a factor.

Industry's stocks 'will last five weeks'

BY MAURICE SAMUELSON

MOST OF British industry still has enough steel in stock *to withstand the steel strike* for another five weeks, according to the Confederation of British Industry.

The CBI estimates that most manufacturers would be able to carry on into March *without drawing on stock*holders' warehouses, regardless of whether the strike spreads to the private steel-making sector.

This estimate will be reported to tomorrow's monthly meeting of the CBI council.

The CBI stresses this is only the broad picture. Individual companies will be hit by steel shortages as well before then. It is *also deeply worried about* the long-term damage which the strike will inflict on exports.

The latest etimate of industry's ability to withstand the strike is far less gloomy than some predictions when it started. With vivid memories of last year's road haulage strike, manufacturers had built up higher steel stocks than the CBI had originally *thought*. In addition their production is at a fairly low level so stocks have been used up less rapidly

The CBI refuses to comment on whether some manufacturers have resorted to the practice used in last year's haulage strike of dispatching smaller consignments of steel by air to prevent them being blocked at ports.

Despite the strike, a considerable *quantity of steel* has continued to be transported within Britain.

STEEL STRIKE

Dow group buys Nigg site

By Ray Perman, Scottish Correspondent

THE U.S. group, Dow Chemicals, has bought 500 acres of land at Nigg, on the Cromarty Firth, for a possible development using North Sea gas.

Dow, which has two plants *in the UK producing agricul*tural chemicals and polystyrene, is now awaiting publication of a study commissioned from Mobil and the British Gas Corporation by the Government into the feasibility of building a pipeline connecting several North Sea fields to gather gas.

The report, which will be delivered to the Department of Energy in March or April, is expected to recommend that a *gas-gathering system should be* built, and to identify the Cromarty Firth as a possible site for the pipeline landfall.

The Government would prefer the pipeline system to include the Norwegian sector of Statfjord, a major oil field which also has large gas reserves.

Employers warn of job losses

BY RHYS DAVID

PRIVATE steelmakers in Shef*field expect a majority of their* Iron and Steel Trades Confederation workers to obey, even if reluctantly, the call for a strike next week in support of colleagues in the British Steel Corporation—in spite of the serious risk this might cause to jobs.

Though both shopfloor workers and shop stewards are known to be dubious over striking against employers with whom they have no grievance, the call for solidarity is expected to win the day.

The Sheffield Engineering Employers Federation which represents about 40 companies, with a *total labour force* of 20,000, yesterday called for further *talks* with the *unions* on the proposed extension of strike action. The Federation complained that despite an offer to meet at any time, day or *night*, the first date which the ISTC could offer was next Monday afternoon—the day the strike in the private sector begins.

Mr. Nicholas Kemp, director of the federation in Sheffield said yesterday *that it was* ridiculous for companies which could have no influence on the settlement of the main dispute to be involved. He warned of possible serious damage to an already weakened private sector.

The group negotiates directly with the steel unions on wages and conditions for roughly 4,000 steelworkers, mostly ISTC members, and these will be the first affected by the strike call. Loss *of steel output will quickly* halt production in other departments affecting members of other unions including the AUEW, TGWU, GMWU and Boilermakers, as well as staff.

With the strike now entering its fourth week Sheffield engineering and private sector steel companies have managed to maintain production and closures have affected only a *small number of companies* dependent on regular supplies from BSC or engaged in the haulage of BSC steel.

Mr. Kemp said yesterday that because of advance stocking before the strike there were no reports, as yet, of critical steel shortages and most companies could manage another week or two. Much would depend, however, on the effectiveness of any extension of picketing to the *private sector*. Mr. Kemp also repeated the call for the union to ballot its members before extending strike action.

'Ripple effect' warning by Pirelli chief

THE STEEL STRIKE may have a "ripple effect" on the motor industry and its suppliers, Mr. J. D. Carr, managing director of *Pirelli*, the UK-based tyre maker, warned yesterday.

His company was still "reasonably certain" of getting enough supplies to maintain output of its steel and nylon-braced radial-ply tyres.

But as the strike bit into general industry, not only would car production be hit—including Pirelli's share of the original equipment market—but general transport as well.

His company was a leading supplier of seating material to the furnishing and motor industries so any dislocation of production in those fields would harm its general rubber goods division.

Flying picket squad has 2,000 volunteers

FINANCIAL TIMES REPORTER

A SPECIAL flying picket squad of 100 steel workers from Corby, Northants, has been formed to go anywhere in the country at quick notice. The operation starts next Monday. Mr. Mick Skelton, a picket co-ordinator, said yesterday: "I have a waiting list of nearly 2,000 volunteers from which I can use 500 a day, if necessary."

Mr. Bill Homewood, Corby's Labour MP, yesterday called for a Government inquiry to prevent the collapse of the steel industry. Although it would not bring about an immediate solution, he said, it could produce an interim report on wages so that there could be a return to normal working as soon as possible.

Robin Reeves, Welsh correspondent, adds: Three pickets were arrested and charged with obstruction after scuffles outside Cashmore steel stockholders at *Risca, South Wales, yesterday*. The incident led to a demonstration by striking steelworkers outside the local police station.

Elsewhere, a delegation of workers from the Metal Box Neath factory was reported to be returning to London to protest to trade union leaders at the refusal of strikers to lift the intensive picketing of the plant.

In Llanelli, ISTC members at *the private steel makers of* Duport have voted in favour of joining the strike from Sunday if called upon by their national leadership.

Unemployment rise hits regions

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

REGIONAL differences in unemployment have started to widen again in the last few months as the number out of work has started to rise.

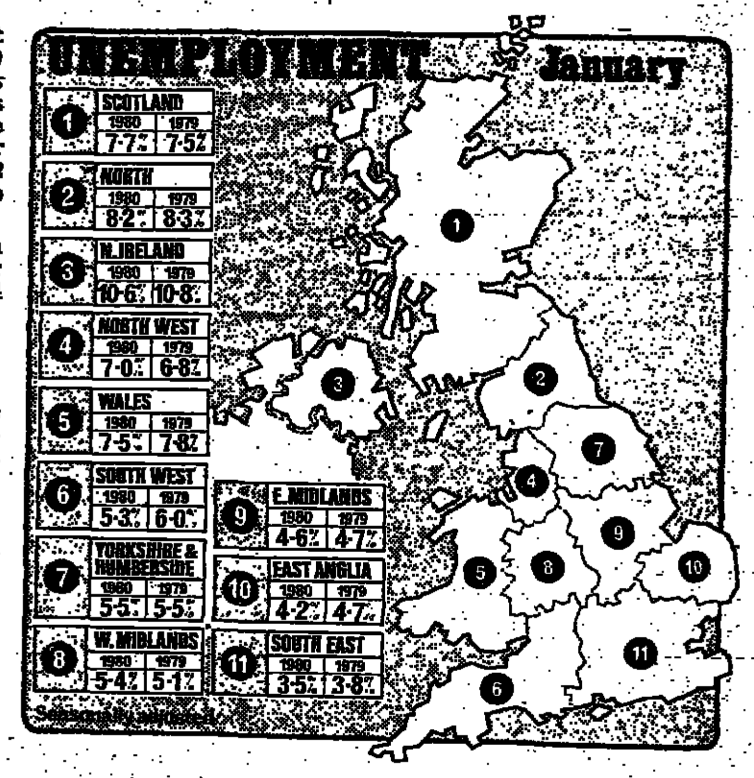
Since September the adult total in the UK has risen 5.9 per cent. The biggest increases have been in the East Midlands (up 9.6 per cent), Yorkshire and Humberside (up 7.6 per *cent), the North-West (up 7.2* per cent) and the North (up 6.9 per cent).

By contrast, there has been an increase of less than 0.5 per cent in the South-West and 4 per cent in the South-East.

Female rates

Slightly surprisingly, there have been below average rises since last September in Wales, Scotland and Northern Ireland. But on a longer-term comparison, these regions have experienced a faster rate of increase than the country as a whole. The percentage rates of unemployment in these areas remain well above the national rate.

There has also been a widening in the gap between male and female rates of unemployment. Since September the number of men out of work has risen by 5.5 per cent while the female total has increased by nearly 7 per cent. There have, however, been rather different trends in employment as there has been a rise in the number of women in work.



Silver antiques beat the scrap prices

BONHAMS' SALE of silver in London yesterday totalled £22,500, well above an expected £16,000. All items were higher than the scrap price, particularly antiques, and a mixed lot of spoons fetched £15 an ounce against the afternoon silver bullion price of £10.50.

SALEROOM

BY PAMELA JUDGE

According to Bonhams there were many new faces and private buyers at the sale, the first to follow the call by Mr. Christopher Weston, chairman of Phillips, for the Government to halt melting down of antique silver objects.

A similar trend was observable at Phillips' sale of jewels. A diamond-an-sapphire 18ct gold bracelet made £900, an 18ct flexible gold bracelet £700, and a gold *diamond* set bangle £580, all at double the estimated prices.

The total for jewels was £188,785, the highest price £12,000 for a pair of diamond earrings.

English porcelain sold at Christie's amounted to £32,508, Mercury Antiques giving £1,100 for a Chamberlain's Worcester pale-yellow-ground part dessert service. The same dealer went to £1,050 for a Chamberlain's Worcester pale-blue-ground armorial two-handled soup tureen, cover and stand.

At Sotheby's Belgravia, Victorian paintings made £41,598. "The hay wain; a country path," by George Lara attracted the highest price at £3,000.

At the house's Bond Street rooms Oriental ceramics and works of art were sold for £24,909. Khoen of Singapore bought a Celadon group of a boy riding on a fabulous animal for £680, and Iino Antiques gave £580 for a blue-and-white box and cover.

Jimmy Savile hospital appeal

JIMMY SAVILE, the television personality, is to launch a £6m appeal in London today to provide a new builidng for Stoke Mandeville Hospital's spinal injury unit.

The unit opened in 1944 and is still housed in its original huts. It is now obsolete and needs urgent improvement in order to continue treating severely handicapped people.

Jimmy Savile volunteered to *head* a national appeal when the future of Stoke Mandeville was causing concern in November.

Dr. Gerard Vaughan, Health Minister, is to support today's launch. With the health service short of cash, it is the type of public participation which ministers have advocated for some time.

Trade magazine renamed

FROM Friday Trade and Industry, the weekly magazine of the department of Trade and Industry, will be called *British Business*.

UK NEWS

Pulp mill looks for newsprint partner

By Ray Perman, Scottish Correspondent

A NEW pulp making process and a newsprint plant may be introduced by Wiggins Teape at its loss making Fort William pulp mill in Scotland.

Finnish consultants have told the company the plant could be made viable if chemical pulp making was replaced by a cheaper mechanical process.

The product from this process could be used in a newsprint plant built alongside as Britain depends largely on imports for newsprint.

So far, Wiggins Teape has been unable to find a partner *willing to co-operate in the* establishment of a new plant.

Joint venture

The two main British groups, Bowater and Reed, have said they are not interested. Wiggins Teape said yesterday it was still having talks with a Canadian newsprint firm about the possibility of a joint venture and hoped to make an announcement on the outcome soon.

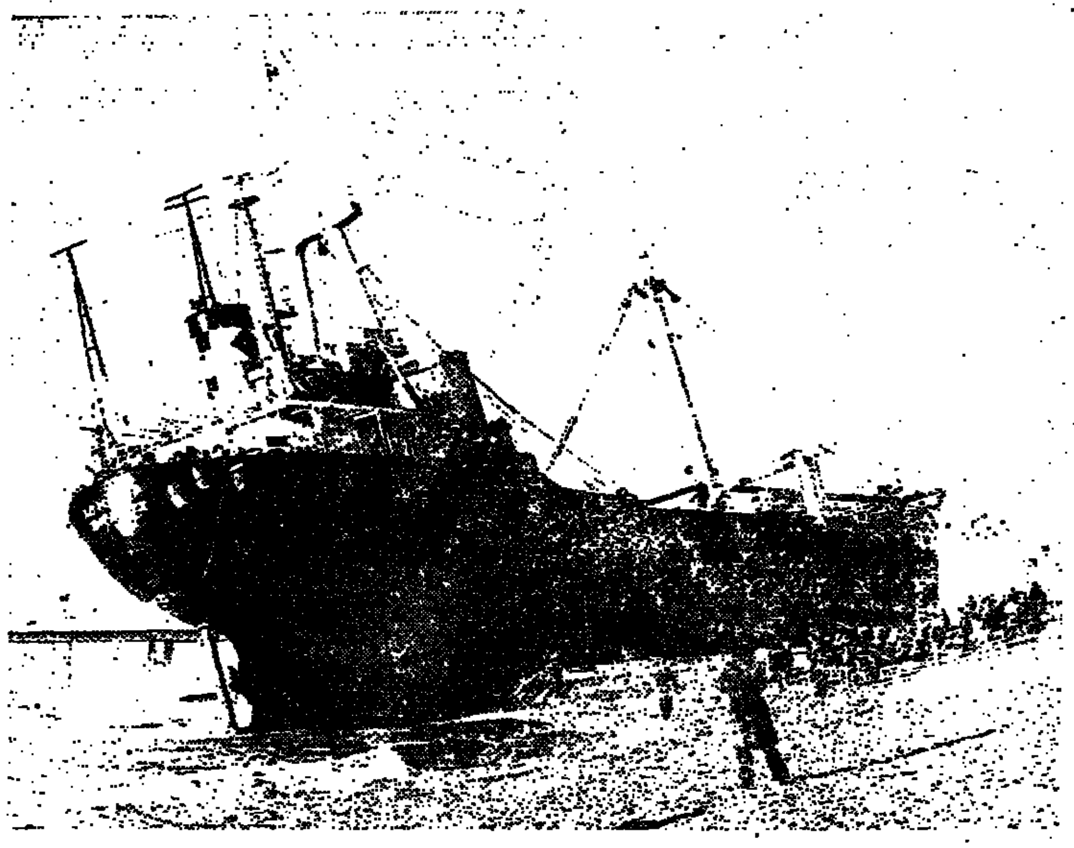
The pulp mill, which lost £2.7m last year, employs about half of the 900 workforce on the site. The rest work in Wiggins Teape's fine paper making plant, which operates profitably.

Last year Mr. Patrick Best, *chairman of the company, told* workers the mill would be kept open until the late spring or summer of this year and that if closure became necessary, six months' warning would be given.

Expansion aids new town jobs

MORE THAN 500,000 square feet of factory space was let by Telford Development Corporation last year. Some 70 companies either came to the Shropshire new town or expanded, creating 872 jobs and providing potential for another 500.

With private transactions and extensions the total letting for 1979 topped 700,000 square feet.



ATHINA B, the Greek 3,500 ton cargo ship, lies on Brighton's beach after being blown ashore by Sunday night's gales. Lifeboats from Shoreham and Newhaven rescued two women and two children aboard, together with the captain and 11 crew who had fought for more than 12 hours to keep the vessel afloat. Carrying a cargo of pumice from the Azores to Shoreham, the ship developed engine trouble while trying to ride out the storm.

Statistics give little indication of economic progress in 1980

BY DAVID MARSH

THERE IS little prospect of an upturn in the British economy in the next 12 months, according to the batch of forward-looking indicators issued by the Central Statistical Office yesterday.

The indicators looking at the performance of the economy in the next six months showed slight rises, partly reflecting a pick-up in manufacturing production towards the end of last year from levels depressed by the autumn engineering strike.

But the composite index of longer leading indicators, which is a pointer to economic performance in the next 12 months, fell in December for the seventh successive month, taking it to the lowest since the last major trough in the economy in 1974.

The main reasons for the renewed fall were the rise in short-term interest rates following the mid-November increase in Minimum Lending Rate as well as a drop in share prices and housing starts.

The rise in the index of shorter leading indicators—looking ahead six months—was due to increases in November in new car registrations and credits granted.

The composite index of coincident indicators—which are broadly in line with the economic cycle—rose again in November after dropping continuously from May

The Statistical Office says, however, that this rise will probably prove to be a temporary fluctuation

'Make picket law tougher'

BY JAMES McDONALD

SECONDARY picketing should be made a criminal offence, says the Forum of Private Business, which represents the owners of small private enterprises.

The Forum, in its monthly newsletter, criticises the controls proposed in the Government's Employment Bill, now before Parliament.

"The Government intends to make secondary picketing a civil offence, leaving it to the victims to take legal action through the courts. This is a classic case of shutting the stable door after the horse has bolted," says Mr. Stanley Mendham, chief executive of the Forum.

Plea to cut cheap air fare strings

BY LYNTON McLAIN

Britannia Airways, opposed by eight other UK airlines including British Airways, yesterday called for the Civil Aviation Authority to approve its plan to offer cheap seats on holiday charter flights to passengers who want to pay only for the flight.

The airline wants the right to sell single and return tickets on all its charter holiday routes, with no advance booking.

Britannia said the scheme, if granted, could lead to savings of £100 or more on existing European flights. Passengers would also have "much more flexibility" in the choice of tickets.

Little help

The application before the authority, which is one of a series from UK airlines for new routes and fare structures, includes a proposal to allow passengers to fly to one airport and return from another.

Britannia Airways, which is part of the Thomson Organisation, supported its case yesterday by claiming that scheduled air services in Britain "do not meet all the substantial categories of public demand."

Mr. Brian Christian, the commercial director, said existing low fares on scheduled airlines were often of little use to people because of the strings attached. Passengers often wanted the *low fares but not the* pre-booking or minimum stay conditions.

The Britannia application is also designed to provide passengers who want a seat but not an inclusive holiday *with a range of regional* departure airports.

Unite for exports' sake, toolmaking industry told

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

GREATER CONCENTRATION of companies in the £220m a year gauge and tool industry is recommended in the first report from the industry's sector working party.

The recommendation is "tentative" because the working party has been operating for only nine months. But evidence is *emerging that* the contract toolmaking industry, which is highly fragmented, might be more effective if organised into larger, well-equipped companies.

The small average size of companies — most employ only around 30 people—is thought to have an adverse effect on:

- Exports, because it is not practicable for smaller concerns to enter foreign markets effectively.
- Investment in new technology, requiring finance beyond the means of smaller companies and imposing overheads which cannot be recouped in a relatively low volume operation.
- Growing customer requirements for large scale tooling packages supplied through a prime contractor.

The industry, covering such items as jigs and fixtures, moulds, press tools, measuring instruments and special purpose equipment such as welding plant, could have "substantial worldwide market opportunities."

It is divided into contract toolmaking and "in-house" toolrooms, the former providing much of the capacity for new toolmaking.

Imports are running at 18 per cent, while exports account for 22 per cent of UK companies' sales. This does not include special machines, such as body welding lines, where the working parties says imports are growing rapidly.

The report expresses concern at criticism from customers on extended lead times and delivery reliability. British companies appear to show no pricing advantage over, for example, the Germans, although this is a highly labour-intensive industry, with wage costs much lower than in Germany. The working party is also concerned about serious skill shortages in the industry.

Progress report 1980. National Economic Development Office.

Water authority surveys pipe leaks

THE North-West Water Authority is carrying out a full-scale investigation of the loss of vast amounts of water from faulty pipelines.

The move follows evidence at the two-lakes inquiry in Whitehaven that the authority was losing thousands of pounds because old pipes were leaking millions of gallons of water a year.

Mr. Derek Sherlock, the authority's assistant director of resource planning and a qualified water engineer, yesterday admitted under cross-examination that there was "a significant loss of water and money due to old pipes."

The inquiry is examining a proposal by the authority to raise the level of Ennerdale to provide more water for industry in West Cumbria. It is also *looking at a separate proposal* by British Nuclear Fuels (BNFL) to raise the level of Wastwater to provide more water for Windscale.

Mr. Lionel Read, QC for BNFL, suggested that there would be "more scope for the authority to make further reductions in their water demands if it started repairing its existing pipes."

Mr. Sherlock replied that it would cost more to save the water than the authority at present loses through leakages.

The inquiry continues.

Unilever honour

MR. NICHOLAS RIDLEY, Foreign Office Minister, conferred an honorary knighthood on Mr. Helmert Frans Van Der Hoven, vice-chairman of Unilever, in London yesterday *for helping to foster Anglo-Dutch relations.*

Language courses dropped

By James McDonald

THE INSTITUTE of Directors has omitted French and German from its 1980 programme of courses because of lack of demand.

"We have been running these courses for about 15 years but applications last year were so few that we had to cancel them," the institute said yesterday.

There were similar courses available elsewhere but the lack of interest in the institute's courses was "symbolic" of a lack of interest in two of the most important foreign languages for businessmen.

The institute, however, is increasing this year the number of seminars for its remaining 16 courses. They include: The role of company chairman; Boardroom responsibilities; Understanding company accounts; and Radio and television interview techniques.

LORNE BARLING REPORTS ON A FAMOUS ENGINE

Villiers revived by its new owners

THE VILLIERS petrol engine, briefly out of production after the liquidation of Norton Villiers Triumph in 1975, is recovering some worldwide prestige under a new and considerably leaner management.

But the wide publicity accompanying the closure of NVT, and *the decline of the British motor-*cycle industry have created problems for the new Villiers engine company, Wolverhampton Industrial Engines.

Some foreign customers were unaware that NVT had shut down and others believed Villiers engines were permanently out of production so the new company had an uphill task regaining market position.

The Villiers petrol engine has its origins in the Villiers Engineering Company which built two-stroke engines for motorcycles. It diversified into small industrial engines for mowing machines and industrial plants.

By gradual expansion between the wars—considerably helped by the growth of the UK motor cycle industry—Villiers became one of the world's largest producers of small petrol engines.

Reliability

But after the 1950s Villiers was hit by development of small motorcycles in Japan and intense price competition at the bottom end of the lawn mower and industrial engine market *from Briggs and Stratton in the* U.S. and Aspera in Italy. Other UK engine companies also suffered, leading Villiers to acquire the industrial engine interests of JAP in 1959 and BSA in 1962.

Three years later Villiers was acquired by Manganese Bronze Holdings. It retreated into a more specialised sector of the industrial engine market where reliability, performance and service were more important than price. After a short, abortive attempt to compete with Briggs and Stratton, the company rapidly lost the high volume UK lawn mower market and two-stroke production for motorcycles ceased in 1969.

The range of Villiers, JAP *and BSA four-stroke engines* was gradually reduced from over 30 models to five. Meanwhile, Manganese Bronze had purchased Norton. Norton Villiers was formed and Norton production was moved to Villiers at Wolverhampton.

BSA collapsed in 1973 and with it the volume sector of the British motorcycle industry. The final attempt was made in the same year to save what remained of the industry by forming NVT. It was largely financed by the Government and managed by Manganese Bronze. But by the middle of 1975 failure was evident and NVT faced liquidation.

Against this background and a subsequent worker sit-in at NVT, *the Villiers industrial* engine assets were bought in December 1976 by Wolverhampton Industrial Engines headed by Mr. David Sankey, a member of the well-known Midlands engineering family.

The company is 35 per cent owned by a City merchant bank, 10 per cent by the Government through a £195,000 loan under Section Eight of the Industry Act, and 55 per cent by directors. These include Mr. Mark Scott, its finance director and one of the prime movers of the new company.

The company is turning out about 600 engines a week compared with 330 early in its recovery. This is a far cry from the 5,000 motor cycle, lawn mower and industrial engines produced just over 10 years ago.

With about 170 production and managerial staff and four engine models in the two-to-six horsepower range, the company is making modest profits despite a severe setback in Iran where sales have dropped from 5,000 a year to a trickle.

Mr. Sankey believes ruthless cost cutting, major efforts in production engineering and improving shop floor efficiency will make it competitive in international markets.

"Faced with the 25 per cent rise in the value of sterling against the yen last year we have had to cut our costs or choose between losing markets or losing money," he said.

"It is a serious problem since even if we had the resources and could justify substantial retooling in high costs areas, savings of that magnitude cannot be made overnight."

Much of the initial capital *went on modernising the* factory, replacing and reconditioning machine tools, and overseas marketing. Many costs reductions made by improved production methods have largely been nullified by inflation.

"We have brought the factory forward from the 1940s to about the mid-1960s in engineering methods and made essential changes such as stopping the roof leaking and installing new lights," he added.

The demise of the UK motor-*cycle industry* has caused a lack of British suppliers of some parts. The company has been forced to buy parts from Japan, West Germany, Italy and elsewhere and overseas purchasing amounts to about 10 per cent of unit costs.

Two engine models dropped before 1975 by NVT have been reintroduced as a stop-gap in the belief that a good range of engines must be offered although the company is capable of supplying up to 300 slight variations.

One of the resumed models is for professional grass cutting machinery which has good UK demand, particularly from local authorities. The other is for generators and the company hopes that the Post Office and British Rail, which currently buy U.S. and Japanese engines, will be good customers.

The main UK customers are construction equipment manufacturers. But after the Iranian setback Mr. Sankey is nervous *about the possible impact of* public expenditure cuts on the construction industry.

A sound UK base is seen as essential to the success of the company but, of 1978 sales, about 40 per cent were abroad, 40 per cent in the UK and 20 per cent through indirect exports.

Last year exports were smaller because of Iran and the declining competitiveness of British-made small construction equipment. However, there, these has been some *success in recapturing a share* of the UK market where backup support for Villiers engines is arguably better than for imported engines.

In the home market it is hoped that the robust Villiers *engine's proven long life* compared with competitors will continue to offset its slightly higher costs. In the construction industry reliability is regarded as important as is availability of spare parts.

In price and marketing terms Briggs and Stratton, the world's largest manufacturer of small engines, Honda and Fuji are the toughest competitors. Honda in particular has gained a firm foothold in the UK in *the past five years.*

Mr. Sankey believes that the company must concentrate on making a profit in the home market where it has a steady income from spare parts. He is aware *that unless domestic* sales continue in volume UK spares revenue will slowly dry up.

In overseas markets DVT had developed a bad reputation for late deliveries to the extent that surprise is expressed when goods now arrive on time. Sales to Third World countries are gradually improving but payment problems are a hinderance.

The company sees a very large market for its products in Africa although Nigeria, the biggest single market, has recently proved difficult for UK equipment manufacturers because of payment complications.

Other African customers want Villiers engines but are too often unable to pay for them, indicating that aid programmes are not satisfactorily linked to UK product supplies.

Mr. Sankey has only limited management resources to draw upon. He visits most overseas market while getting involved in production.

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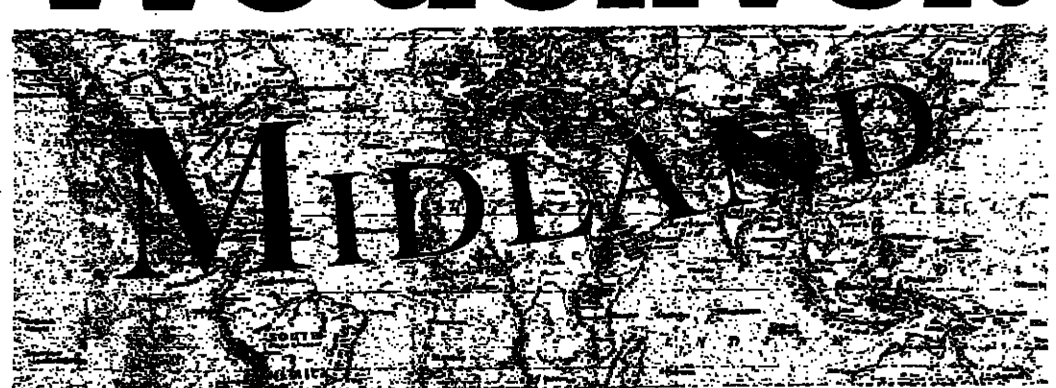

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PM snubs NHS charges proposal

BY ELINOR GOODMAN, LOBBY STAFF

THE PRIME Minister yesterday slapped down Mr. John Biffen's idea of charging for certain National Health services now provided free. She was pressed by Mr. James Callaghan, the Opposition leader, to reconcile the Conservatives' election pledge on the NHS with Mr. Biffen's remarks that he regarded introduction of charges for hospital accommodation and home visits by GPs as possible options in his search for public spending savings.

Mrs. Thatcher said that there were some things she felt very strongly about and that the Government was pledged to maintain spending on the NHS.

There was no possibility, she said, of going back on her election promise not to charge for either hospital accommodation or home visits by doctors.

Mrs. Thatcher, who again confirmed the Government's determination to cut state spending further next year, was less specific about Mr. Biffen's remark that he was having to "ask himself questions" about raising prescription charges again and reviewing the current exemptions.

Nevertheless, Mrs. Thatcher's hasty rebuttal of the idea of introducing new charges for the NHS again illustrates the political restraints on Treasury Ministers as they look for more ways of reducing demands on the public purse.

Last year, Mrs. Thatcher equally firmly knocked down an idea mooted by one of her own advisors that tax relief on mortgages might be abolished. She has also made it clear that she is not keen on any sudden clamp down on business perks.

Both were ways of widening the tax base which some Treasury Ministers favour as long term objectives.

Another election pledge prevents extension of the range of goods covered by VAT.

Some Ministers are already nervous about the price rises the Government has caused by raising charges and are apprehensive about raising the RPI by more price increases—even if they do lead a lower borrowing requirement by increasing Government revenue.

The Treasury Ministers do not seem to have included the introduction of any new NHS charges in their calculations for an additional reduction in spending planned for 1980/81. But it is the kind of radical measure which some feel will be necessary if the Government is to reduce income tax before the next election.

So far, the Treasury has been negotiating the latest round of cuts on a department-by-department basis. The package will soon go to the full Cabinet for discussion, with the aim of publishing it early in March.

Treasury Ministers are emphasising that the Government commitment to cut income tax means that there must be major cuts in Government programmes.

It is simply not possible, they argue, that the Government's objective can be met merely by squeezing the "fat" out of the public sector.

Thatcher offers Olympic facilities

By Ivor Owen

THE GOVERNMENT is offering to provide facilities for a number of Olympic events to be staged in Britain, to give further impetus to the campaign to move the 1980 games away from Moscow.

The Prime Minister, Mrs. Thatcher, announced this in the Commons yesterday when she undertook to write to the Olympic authorities to support President Carter's initiative urging that an alternative site should be found for the games, to mark world disapproval of Russia's invasion of Afghanistan.

Mr. Winston Churchill (Con., Stretford) maintained that there was strong support in Parliament and in the nation at large for the action which the Government was taking to prevent the Olympic Games being staged in Moscow this summer.

When he urged that the Government should be prepared to make a contribution towards the financial burden which would be incurred through transferring the games, she declined to go beyond the offer to provide facilities to stage some events in Britain.

Mrs. Thatcher promised to call for a Department of Trade investigation when Mr. Jock Bruce-Gardyne (C Knutford) protested that facilities being offered by the Export Credit Guarantees Department could undermine the action taken by President Carter in imposing a ban on the supply of feed grains to the Soviet Union.

He said the department was permitting credit, financed by British taxpayers, to be used to ship feed grains to Poland which could easily go straight through to the Soviet Union.

The Prime Minister stressed: "We wish to support President Carter in the stand he has taken on all matters with regard to the Soviet Union's action in Afghanistan."

Questioned about the arrest earlier in the day in Moscow of the leading Russian dissident, Andrei Sakharov, Mrs. Thatcher said she had no further information than that already given by the media.

"The Government takes a very serious view of this and we will most certainly register our view," she said.

● INFLAMMATORY SPEECH: Mr. Reg Prentice, Social Security Minister; made an emergency stop during a speech yesterday when smoke started pouring from his jacket pocket.

Mr. Prentice (left) quickly stripped off his smouldering jacket and bravely continued with his speech.

Mrs. Lynda Chalker, Under-Secretary for Health and Social Security, and Mr. Michael Neubert, (C, Havering) rushed to the window with the jacket and put out the fire

Mr. Prentice said later: "I'm not injured. It's just a blister. It was one of these books of matches and I must have been fiddling with it.

Owen urges tough stance to stop oil depletion

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT has been urged to adopt a tougher stance over the rate at which North Sea oil is to be produced over the coming years.

Mr. David Owen, Shadow Energy Secretary, said that Britain should avoid being a major net exporter of oil so that it can maintain the benefit of energy self-sufficiency for as long as possible.

Oil kept in the ground was Britain's economic "seedcorn," he told the Parliamentary liaison group for alternative energy strategies. The argument for a tough depletion policy was strategic.

"No nation will lightly forgo for the future the ability to be self-sufficient in energy which is as crucial to our survival as defence," he said at the Commons meeting.

Dr. Owen said the Government should state clearly that it intended to prevent excess production. It should also encourage increased exploration.

"It is high time that on this issue, as on so many, the Whitehall bureaucracy advising Ministers advocated a far tougher negotiating stance.

"The Whitehall bureaucracy and then Ministers making the final decision are too sensitive to the special pleading of vested interests.

"A little more ruthlessness would not go amiss in putting more backbone into Britain's industrial revival. We need more self confidence and assertiveness. We should start with a tough oil depletion policy."

The comments came as Mr. David Howell, Energy Secretary, and his advisers, are drawing up proposals for new depletion policies.

It is expected that the measures will include controls to reduce the level of peak oil production and incentives to arrest the rate of production fall-off in the 1990s or early in the next century.

Dr. Owen said that the Government's commitment to the EEC to export additionally in 1985 at least 100,000 barrels a day should be the most that Britain should offer.

"To sell excess oil which one would only have to import and pay for in later years should be even on short term revenue considerations an unattractive proposition.

"There is no sound economic case for believing that an injection of extra revenue in the mid-80s will be critical to our economic recovery.

"All the signs are that Britain's economic recovery is going to take a long time and certainly more than the decade of eht 80s.

North Sea revenues 'wasted'

BY RAY PERMAN, SCOTTISH CORRESPONDENT

BRITAIN IS living on the unexpected and temporary legacy of oil revenues which were being wasted instead of being used to build up our industrial base, Mr. Anthony Wedgwood Benn, the former Labour Energy Secretary, said yesterday.

He told a Newspaper Press Fund lunch in Glasgow that the Government was using oil money to finance tax cuts for the wealthy, pay our EEC contributions, and enable a flood of manufactured imports.

Unless the present policy was changed, every barrel of oil brought ashore would help to export jobs. When the reserves were exhausted, Britain would be left with such a narrow industrial base that it would not be strong enough to sustain the population.

There would be a real danger of chronic, large-scale unemployment and emigration, he said.

Mr. Benn outlined his eight-point alternative strategy to rebuild the economy.

It included a return to full employment as a national objective, using oil revenues to modernise, expand and diversify industry, import and exchange controls and a move towards industrial democracy.

Public services must be expanded and Britain must return to self-government, taking back powers ceded to the EEC.

A fairer society must be created in Britain, and we must find a better way of communicating with each other about the real issues and the real choices facing the country.

Mr. Benn said Britain's problems were not inevitable or preordained. They were the result of abdicating social responsibility

Chancellor dons a martyr's hair shirt

By John Hunt

CHURCH AFFAIRS do not usually loom large in the Commons. Every few months the Ch"rch Commissioners spokesman answers obscure points about vestrymen and deacons.

But yesterday the House witnessed a far more portentuous spectacle—nothing less than the martyrdom of Sir Geoffrey Howe.

He had committed the sin of fixing the Budget for Tuesday, March 25, knowing that this was the date for the enthronement of the new Archbishop of Canterbury, the Right Rev. R. Runcie.

The decision led to angry rumblings from the direction of Canterbury.

Equally angry and omino"s stirrings came from the Cabinet. Sir Geoffrey seems to have forgotten the tradition that Prime Ministers and other Parliamentary bigwigs love to attend this splendid and widely televised event.

Mr. Norman St. John Stevas, Leader of the House, prominent Roman Catholic layman and former ecclesiastical correspondent of The Economist, yesterday announced that the Government had had second thoughts.

God had won over Mammon and the Budget day was now Wednesday, March 26.

Mr. Michael Foot, for the Opposition, welcomed this "minor U-turn" and looked forward to even greater conversions.

Mr. St. John Stevas admitted that the Chancellor had been aware of the clash of interests but had to reconcile the dates as best he could. Looking to the ceiling for inspiration, he admitted "My Right Honourable Friend makes no claim to infallibility in these matters."

Meanwhile, Sir Geoffrey hastily despatched an apologetic letter to the Archbishop-elect. In guarded tones, it told him that the Prime Minister and Cabinet had agreed to a change of date "at my suggestion." Diplomatically, the Chancellor added "Very good wishes for a splendid occasion on the 25th."

It seems that he would not be going as far as Henry II, who atoned for his sins by having himself publicly scourged at Canterbury. Nevertheless, there was no doubt that he was wearing a very uncomfortable hair shirt.

Joseph emphasises non-intervention policy

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT'S determination to avoid direct intervention in the steel strike was again underlined in the Commons yesterday by Sir Keith Joseph, the Industry Secretary.

Despite heavy pressure from the Opposition, he insisted that no further taxpayers' money was available to increase the offer from BSC and ease the way to a settlement.

Very serious

He also made it clear that the Government had no intention of influencing the Advisory Conciliation and Arbitration Service (ACAS), in efforts to end the dispute.

Sir Keith emphasised that the situation would be "very, very serious," and could prove "terminal" to the independent steel producers, if the strike was spread to them.

Thes Secretary of State was adamant that the Government would not permit the BSC to re-allocate public funds, in order to use them for wages, instead of for investment.

Labour backbenchers who urge such a course were given a blunt "No" from Sir Keith.

"It is not reasonable to ask the heavily burdened taxpayer to meet increases in earnings which the steel workers can find by a higher productivity," he declared.

Sir Keith was reporting to the House on the meeting which he and Mr. James Prior, Employment Secretary, had with leaders of the two steel unions, and the meeting between the Prime Minister and both sides in the dispute.

At the meetings, he said, it had been made clear that Ministers were not involved in negotiations and there was no taxpayers' money available to further a settlement.

Mr. John Silkin, Labour's Industry spokesman, wanted to know whether Sir Keith still stuck to his "rigid and inflexible time-table" for the steel industry to break even by March.

Heavy costs

If no more finance was available, he wondered what on earth ACAS could do to bring both sides together.

In reply, Sir Keith frankly agreed that the Government was sticking to what Mr. Silkin termed its "rigid timetable."

This was in the interests of the steel workers, the taxpayers and the country. ACAS was an independent body and its deliberations were not a question for Ministers.

"I have no way of telling the House when a settlement will be reached," he added bluntly. "As to the cost to British industry—a prolonged strike will be very serious indeed."

Any suggestion that the Government should bring pressure to bear for a ballot amongst steel workers in the private sector was dismissed by Sir Keith.

That was a matter for union leaders and members.

Sir Keith Joseph

Gas price complaint

BY IVOR OWEN

ATTEMPTS BY Labour MPs to give the Monopolies and Mergers Commission authority to investigate price rises forced on nationalised industries as a direct result of Government policy were resisted by Ministers in the Commons last night.

An amendment to the Competition Bill designed to achieve this objective was moved by Mr. John Smith, shadow Trade Minister, who described the proposed increases in gas and electricity prices as the most savage ever imposed by a Government.

He calculated that in the case of gas, where the Government was insisting that the price increase over the next three years must be 10 per cent over and above the rate of inflation, this was likely to mean that charges for domestic consumers would rise, by 30 per cent.

Mr. Smith complained that the Government was deliberately increasing the pace of price inflation—the annual rate had gone up from 10.1 per cent to 17.2 per cent since Mrs. Thatcher entered Downing Street in May.

Ignoring Opposition jibes, Mr. Norman Tebbit, Under-Secretary for Trade, argued that the rise in gas prices would be able to help the Government's counter-inflationary policies.

The increased profits resulting from the higher charges, which he confirmed were being increased beyond the level sought by the British Gas Corporation, would not simply disappear.

Strike threat in London docks pay dispute

BY GARETH GRIFFITHS, LABOUR STAFF

THE NATIONAL Amalgamated Stevedores and Dockers' Union yesterday threatened an all-out strike at the London enclosed docks in three weeks, unless there is a substantially improved pay offer.

The employers, dominated by the technically insolvent Port of London Authority, are very worried about the possibility of action which they say could be "disastrous."

A series of meetings are planned before the deadline expires, starting with fresh pay talks on Friday.

The attitude of the Transport and General Workers' Union will be crucial in the dispute. The TGWU has about 3,500 members working in the enclosed docks compared to the NASDU's 1,000.

Union officials say the TGWU would have to consult fully before making any decision and they are worried about the "tail wagging the dog"

Both groups of dockworkers are unhappy at their pay offer. The Enclosed Docks Employers Association has offered 10 per cent new money and a further 2 per cent in *return* for reducing the workforce by 500.

The employers have indicated that because of the state of docks traffic there is little room for manoeuvre over pay.

A mass meeting of NASDU members rejected the 12 per cent offer on Friday. The union has claimed an increase of about 30 per cent with a week's extra holiday entitlement. The TGWU's claim is worth between 35 per cent and 40 per cent. Last week its members staged a one-day unofficial strike in the enclosed docks.

This year's pay round was due to be settled on January 1. One of the employers' main aims is to restore differentials and they have told the unions that distribution of the 10 per eent new money would achieve this.

The 10 per cent figure is in line with the increase in docks charges announced at the beginning of the year.

Chemical workers to negotiate for shorter week

BY NICK GARNETT, LABOUR STAFF

A FORMAL agreement with chemical industry employers to introduce specific limitations on systematic overtime is being sought by the General and Municipal Workers Union, as part of this year's pay and conditions claim for the industry.

A union delegate conference decided yesterday to make this a priority along with a reduction in the working week, possibly through the introduction of another workshift.

Delegates also stressed the need to ensure that average earnings are increased to at least keep pace with inflation. If an agreement to reduce systematic overtime, which will affect earnings is also taken into account, the cost to the employers of the proposals would be well over 20 per cent.

The GMWU decision will be put to a meeting of representatives of the other two unions which negotiate on the chemical industry's joint industrial council.

Mr. David Warburton the GMWU officer for Chemicals said that even if the other two unions — the Transport and General Workers Union and the Union of Shop Distributive and Allied Workers—did not support the idea of an overtime limit, his union's shop stewards would nevertheless be instructed to pursue it at company level. A unilateral reduction in overtime could not be ruled out.

The joint union claim, due for settlement in May, directly covers 61,000 process workers in companies of the Chemical Industries Association represented on the joint industrial council. It also indirectly affects wage negotiations in other sectors.

The GMWU submission involves a new minimum rate of £70.00. Present minimum rates vary from about £55 to more than £70. Overtime limitations would be opposed by large numbers of workers in an industry where average hours are more than 45 and where in certain areas overtime is very high.

Mr. Warburton said, however, that limitations were necessary to protect jobs and to show that the union meant business in securing shorter working hours. The claim had been related to profits and productivity improvements. The introduction of a further shift will in some cases reduce the working week to 32 hours for some workers.

Healey calls for 'proper' pay bargaining system

BY NICK GARNETT, LABOUR STAFF

MR. DENIS HEALEY, Shadow Chancellor, told delegates at the General and Municipal Workers Union conference for chemicals yesterday that the use of a proper pay bargaining system largely rested with the unions, writes Nick Garnett.

The country could not continue with the kind of wage bargaining that has existed over the past year. No-one was better off in terms of living standards and everyone was worse off in terms of inflation.

The question of a proper system of pay bargaining was something "only you can settle" he told delegates.

Mr. Healey's observations—part of a long speech attacking the present government's economic policies—reflect the feeling among many shadow ministers that they must try and prepare with the unions a basis for agreement on incomes policy for when Labour is returned to power.

Shadow ministers discussed incomes policy with union officials a t a meeting of the TUC-Labour Party liaison committee earlier this week.

Report says water men earn less than others

By Philip Bassett, Labour Staff

WATER WORKERS suffer a "disparity" over pay compared with workers in the gas and electricity supply industries, according to the confidential comparability report which will be at the centre of resumed pay negotiations next week for the 33,000 manual workers in the industry.

The report, prepared by a joint union-managment working party, has been agreed on by both sides, although until the unions recommended a total strike the employers refused to negotiate on its contents.

The employers' side of the National Water Council is expected to draw up a new pay offer today after officially telling the union side yesterday that it was now prepared to negotiate on comparability.

However, negotiations could still prove difficult, since the report, while noting the disparity, comes to no firm conclusions and makes no concrete recommendations to the joint negotiating committee despite the terms of reference of the working party.

A water worker in grade III of the industry's structure, with a basic rate for 40 hours, earns £51.32, according to the report, a gas worker of roughly comparable grade is on £52.13-£52.56, and an electricity worker on £65.48-£67.34.

The pay position is made more complicated, according to the report, by supplements and bonuses. A water efficiency supplement would take the same rate to £56.32.

The study is based largely on research carried out in the Thames, Yorkshire and Wessex water authorities and their regional gas and electricity counterparts.

Nurses' claim

NURSING unions were last night drawing up their claim for the current pay round. Union negotiators earlier had suggested the claim would have to be in the region of about 60 per cent in order to make up for their disappointment at the recent Clegg comparability pay awards.

TUC likely to ban ballot funds

BY CHRISTIAN TYLER, LABOUR EDITOR

THE TUC general council will probably instruct affiliated unions not to use public money to conduct secret ballots, Mr. Len Murray, TUC general secretary, predicted yesterday.

Public funds for ballots to elect senior union officials and make strike decisions are an important plank of the Employment Bill before Parliament.

If unions accept the ban, it will be the first practical gesture of opposition to the Government's labour law reform.

This development follows a special conference yesterday attended by 220 officials of 73 unions to co-ordinate action against the Bill.

Mr. David Basnett of the General and Municipal Workers' Union—considered one of the most moderate in the TUC—pressed unions to ignore the bait of public money. He said it would be the thin end of the wedge and could lead to compulsory ballots eventually.

According to Mr. Murray, he was supported by other moderate unions like the Post Office Workers. Other unions who had been reluctant to oppose the Conservative's 1971 Industrial Relations Act were speaking out against the new measures.

Mr. Frank Chapple of the electricians' union took the opposite view but appears to have been a lone voice. He said the unions had brought the legislation on themselves by failing to keep their own house in order.

Mr. Murray said afterwards that the steel strike did not justify the Government clamping down on picketing. Steel workers had, with one or two exceptions, honoured the TUC's guide to picketing conduct.

Mr. Roy Evans of the Iron and Steel Trades Confederation told the conference that if secondary picketing had been outlawed during the present strike, the unions would have been forced to take more direct action. This would have lengthened the strike.

Defence recruiting frozen

BY PHILIP BASSETT, LABOUR STAFF

THE MINISTRY of Defence has frozen the majority of its staff recruitment and banned all inessential overtime for three months in an effort to stay within its £8.55bn budget.

The temporary recruitment ban will cover all staff until April 1, except where recruitment is necessary for essential operational requirements and safety purposes.

The ban will not affect jobs in areas where there are already staff shortages, such as professional engineers, typists and clerical workers in London. At present there is a shortage of about 20 per cent in typing grades in the Ministry and 21 per cent of clerical assistants. The ban also specifically excludes Service personnel.

All overtime, except that necessary for essential operations, will also be halted. Other cuts include tighter controls on training, travel and the use of fuel, and the postponement of the purchase of stores not needed until the next financial year.

The tighter controls stem directly from the projected 1 per cent or about £80m overspending forecast by the Ministry as a result of higher prices. Last year the Ministry also overspent its budget, then £6.88bn, by £74.5m.

● Civil Service union officials are telling a series of staff meetings this week that an independent comparability study on Civil Service pay is showing results higher than the unions first expected.

Clerical workers, represented by the largest union in the Service, the Civil and Public Services Association, may be due between 18 and 20 per cent from the report's findings. Executive grade staff, represented by the Society of Civil and Public Servants, could be due slightly higher rises.

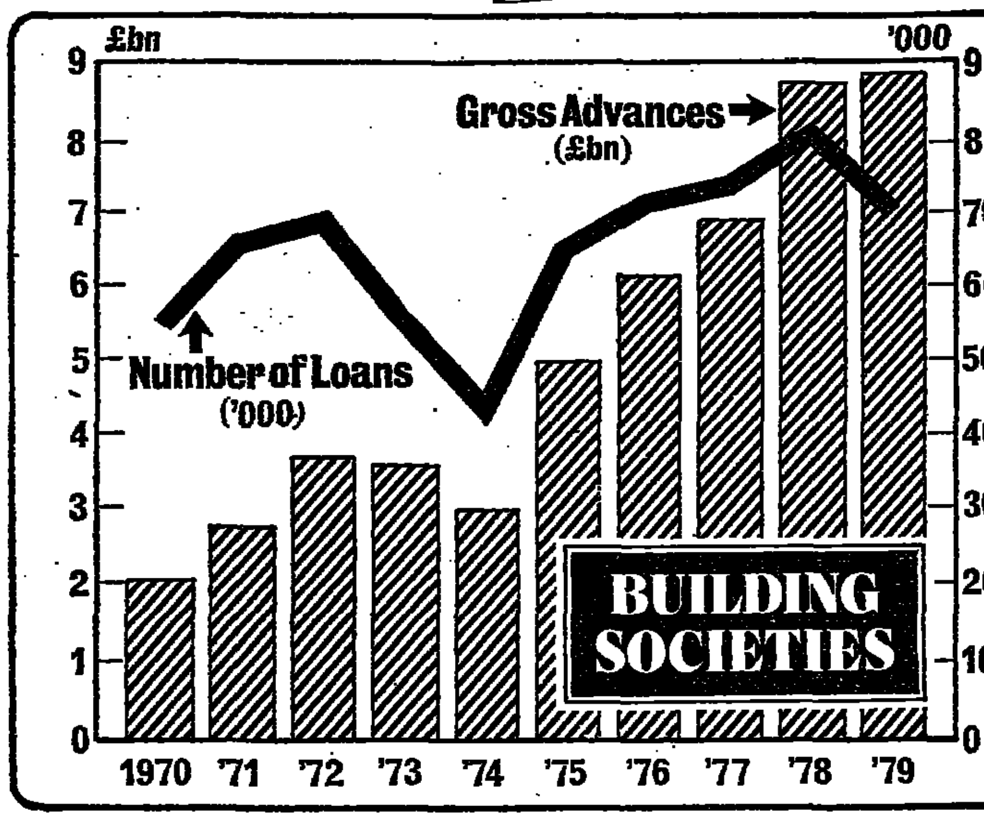
First reports had confirmed original union expectations that rises of 17-18 per cent were due.

FINANCIAL TIMES SURVEY

Wednesday January 23 1980

Building Societies

The building societies are currently indulging in a spell of self-examination about their role in the eighties. Their main problem is how best to maintain their traditional function in fostering home ownership in a world where many of the movement's basic precepts are being increasingly questioned.



Search for a 1980s strategy

By Michael Cassell

THE BUILDING societies begin 1980 with a list of immediate and longer term problems which should be sufficient to dispel any lingering theories that the home loan industry offers its members a quiet and uncomplicated life. The recommended mortgage rate stands at a record 15 per cent gross against 8½ per cent just two years ago, and the societies' ability to cope with mortgage demand has rarely been under greater pressure.

Despite all the difficulties encountered over the last twelve months, the societies nevertheless managed to give good account of themselves. They lent a record £8.8bn to house buyers, who were apparently undeterred by rising house prices and mortgage costs, though the funds consequently failed to go as far as in 1978 and provided around 704,000 loans against 802,000 in the previous year.

But there is a growing feeling within the societies that while another good year in the face of considerable difficulties was laudable, policy changes will soon be required if they are to have any chance of maintaining—let alone improving on—the success and progress achieved in the last ten years.

The question the societies now need to answer is a simple one. Will their traditional operation—borrowing money from personal savers for short periods and lending it for a relatively long time on the basis of a variable interest mortgage—prove suited to the type and volume of demand they are likely to face between now and the end of the 20th century?

Nearly 55 per cent of the nation's households are now in the hands of owner occupiers and with a figure of at least 70 per cent widely regarded as desirable and achievable, the task ahead of the building societies seems to be immense.

Whether or not the growth of home ownership, representing one of the biggest social transitions of recent times, can in future be fully stimulated and satisfied should continue to depend largely on the societies. If they prove unable to adapt what has until now unquestionably been a successful formula, then the advance of home ownership could be stifled or the societies find their traditionally dominant position as providers of housing finance being undermined.

Foresee

There are some in the building society world who foresee few major problems ahead and prefer to believe that the short-term difficulties being experienced have led to a great deal of irrational comment about a potential crisis.

When interest rates fall, they say, the societies will regain the initiative and will then step up efforts to extract more funds from those long-standing sources which they believe have by no means been fully tapped

It is true that in percentage terms the societies have a long way to go before they can claim to have achieved anything like market saturation in terms of the general public. Only 43 per cent of all adults (around 18m people) are building society investors, though that figure in itself represents a major advance from the 17 per cent level recorded 10 years ago and a much faster growth rate than for any other savings medium.

But a recent survey showed that well over half of those people without building society accounts simply believed they did not have enough money to justify one. Therefore, the chances of present non-investors ever opening an account may well depend on wider economic factors rather than on any amount of marketing activity by the societies.

Even if more adults can be tempted to take their savings into building society branches, the question remains as to whether they and the existing army of investors will be capable of providing sufficient finance to meet future mortgage demand. At least the societies can take comfort from the fact that bigger and bigger home loans result in growing mortgage repayments to help still more purchasers.

But while inflation has sent house prices and mortgage advances upwards, the average saver's balance fell significantly during the 1970s. While recent evidence from the societies themselves suggested that, contrary to public opinion, they are not being treated as banks—with over half of all investors visiting a branch less than once in three months—the ratio of withdrawals to deposits has nevertheless climbed sharply.

Last year the societies had to take in over £15bn merely to meet withdrawals, an increase of £2½bn over the previous 12 months. It now takes approximately five investors to finance the average loan. At the same time the societies face mounting costs in supporting their extended and increasingly utilised service.

For many within the movement the situaton calls for early changes in general strategy, though they believe outright revolution will be unnecessary. Some observers outside the societies, however, claim that only truly radical reforms will rid the societies of the problems which already exist and which, they claim, seem likely to get worse.

Among the moderates there is substantial support for the type of approach outlined in the Building Societies Association's recent document on alternative sources of funds and its acceptance, that the traditional money-raising mechanism has—subject to some changes—a great deal of growth potential left within it and that the retail savings market should be sufficient to provide all the mortgage funds required.

Answer

According to many society men the basic answer to bridging the supply-demand gap now lies principally in a decision to raise the general competitiveness of building society investment rates. The old argument—that borrowers have traditionally had a good deal at the expense of investors and that the balance should be restored—could start to win the day.

If the societies, the argument goes, are ever to have any chance of meeting prevailing levels of mortgage demand, then they must establish and maintain attractive interest rates for investors in a much more aggressive way than has previously been the case. A shake-up in priorities would see concern for borrowers, while still a consideration, giving way to a determination to generate sufficient funds to meet mortgage demand.

Many society chiefs, though having regularly made or complied with policy decisions aimed at protecting the borrower, believe that acceptance of a generally higher threshold for home loan costs is not an impossible target, though the fight to convince public and politicians alike will not be an easy one.

The building societies would have a strong case in claiming that their solution could help erase many of the mortgage queues which, despite past successes, have characterised several difficult periods in the private housing market. They would also doubtless point to the fact that higher mortgage interest rates have rarely dissuaded home buyers in the past.

In addition, the societies are also mulling over a plan which would put the mortgage rate on a far less volatile footing, aimed at easing financial problems for home buyers now well used to confronting wild fluctuations in mortgage repayments. Under the plan, investors' rates would move in line with market rates while the cost of home loans—presumably standing on a higher-than-traditional base—would need fewer and less dramatic alterations.

Reformers

Among the more radical reformers—who are needless to say mainly outside the societies—a far more sweeping approach is being advocated.

Calls for a scrapping of the building society interest rate cartel have been on the increase, with critics suggesting that the non-mandatory system of recommended interest rates is harmful and that a free and competitive marketplace for funds is the only answer to the mortgage supply problem, even if it means more expansive loans.

The societies have traditionally claimed that the cartel helps keep their interest rates down—though if they are now beginning to accept that a new era of generally more competitive investors' rates and higher mortgage costs is about to begin, their defence of the arrangement could begin to look less convincing. No doubt their argument will be that they would still prefer a higher interest rate regime within an orderly framework to an unseemly free-for-all.

But if the societies continue to appear unable to get anywhere worthwhile in meeting mortgage demand, then the cartel and other aspects of their operations will come in for the type of scrutiny which may people believe is now overdue. If, on the other hand, they do become more competitive and commercial they could then face removal of some of those "special subsidies" which critics say are already no longer justified.

BUILDING SOCIETIES II

Some respite from soaring prices seems in sight this year for home buyers. If average wages continue to rise as predicted, the financial squeeze on them could relax a little, although the cost and availability of mortgages will remain overriding problems.

Housing market comes off the boil

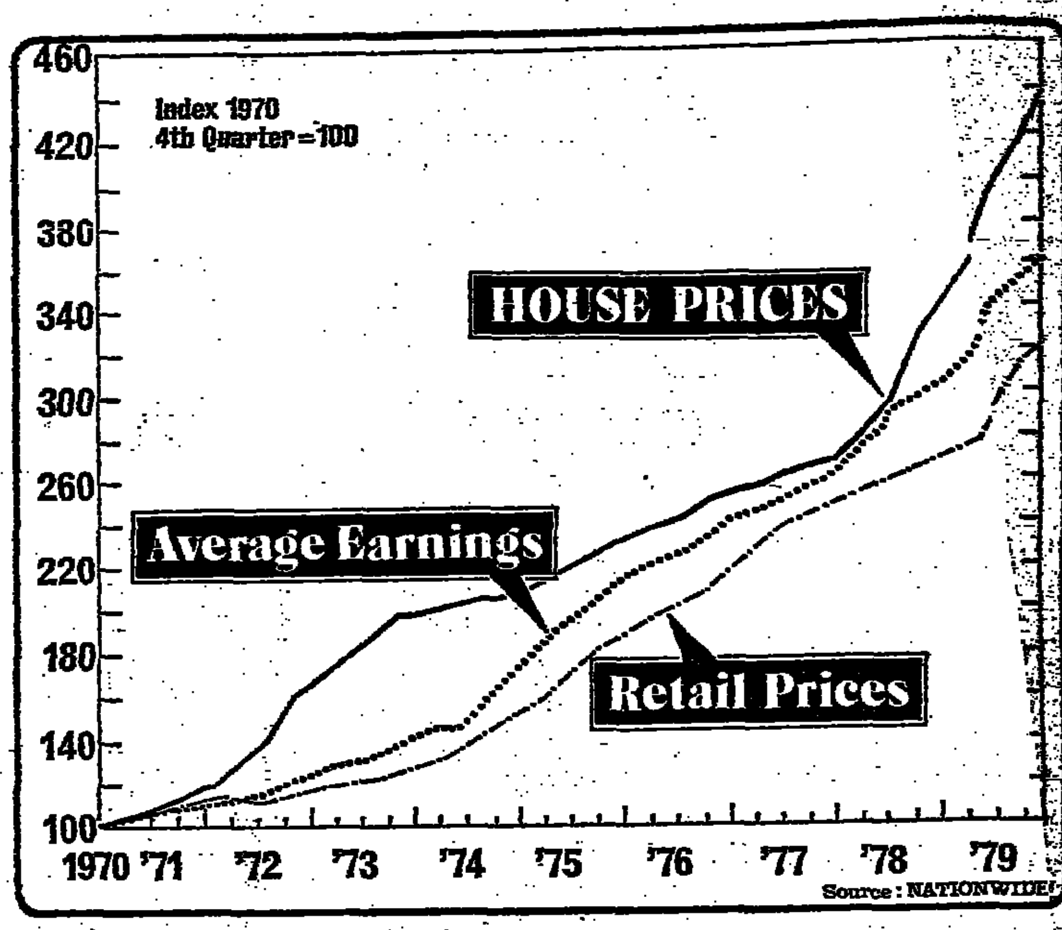
THE LAST few months have seen the private housing market come off the boil after a two-year period in which house prices have risen on average by more than 60 per cent and in some cases have more than doubled.

The building societies which have been providing 90 per cent of all loan finance for house purchases say that prices can be expected to continue to rise at a much slower rate throughout most of 1980. Abbey National, the country's second largest building society, has estimated that house prices may rise only half as fast this year as they did in 1979.

At the top end of the market Abbey expects prices to increase by only an average 10 per cent while lower down the scale the increase may be 15 per cent. This compares with a 30 per cent average increase during 1979. The rate of increases has already begun to slow and Abbey says that prices rose by only 3.9 per cent during the last quarter of 1979.

The sharp rise in prices over the last two years followed a period of stagnation on the housing market which in turn followed the house price boom at the start of the decade. Nationwide Building Society says that price increases of 63 per cent in the last two years had been preceded by average annual rises of only 8 per cent during the previous three years.

Along with other building society chiefs, Mr. Leonard Williams, chief general manager of Nationwide, argues that increases during the past two years have brought house prices back into line with average earning levels. According to Nationwide average house prices presently work out at around 3.7 times average earnings, compared with a historic average of around 3.3 times earnings. In 1973 this ratio peaked at 4.1 times earnings.



Diverse

Factors affecting house price movements are diverse but clearly this relationship between prices and earnings remains a key to the equation. The societies argue that much of the increase in house prices over the last two years has been a market adjustment to bring the ratio between prices and earnings back in line with traditional levels.

Most society forecasts now anticipate a period during which prices will be rising in line with or slightly below the level of incomes.

The impact of high mortgage interest rates on house prices is more difficult to determine. Until the most recent interest rate increase the availability of mortgage funds was regarded as a far greater potential constraint on the market than high mortgage rates.

The fact that in the past most borrowers have apparently preferred and been able to meet mortgage rate increases, rather than extend the life of the debt, would appear to support this argument. Whether this will remain the case now that mortgage rate is at 15 per cent is debateable and it remains to be seen whether record interest rates will act as deterrent to people wishing to enter the housing market.

In recent months the problems raised by the lack of mortgage funds has attracted much more publicity. Last year societies are estimated to have lent slightly more cash, around £8.8bn, but the inflation in house prices has been such that this supported only 704,000 loans—12 per cent fewer than in 1978 despite the slightly higher cash lending.

But it is difficult to say to what extent societies' inability to fully meet demand for mortgage finance has contributed to the recent cooling down of price increases. Clearly though, there must be some impact on those people who for one reason or another are forced to sell at a time when societies are unable to lend sufficient cash to support prices which otherwise might have been obtained.

Private housebuilders — although recognising that mortgage availability along with land availability remain major constraints—take a cautious rather than pessimistic view of the outlook for the industry.

They say that despite the demand for home ownership mortgage rate the underlying "lack" of funds and the record remains strong. In addition, the recent sharp upsurge in prices has restored profit margins—providing a cushion for them against the lower level of new housebuilding.

Last year the number of new private housing starts is thought to have dropped from 157,000 to 135,000, and some current forecasts suggest that there may be a further fall in the present year.

The industry has, however, welcomed the increase in building society interest rates as this, it is hoped, will encourage more funds into societies, which in turn will be able to lend more to borrowers. But even with the impetus given by higher deposit rates the level of funds likely to be available is still expected to fall short of demand.

Impact

More important to builders is the impact that high interest rates will have on their own borrowings, material costs and general financial stability.

A further factor which may limit price increases is the size of deposit that first-time buyers are now expected to find. This may discourage some potential first-time buyers from entering the market.

In the past changes in house price trends have generally affected London and the South East first, spreading later to other regions. If this trend is repeated then there should, at least in the short term, be some narrowing in the wide disparity between house prices in the South East and those elsewhere.

According to recent figures published by Abbey National and Nationwide the average price of a house in the South East is now in the region of £28,500 compared with an average of more than £16,500 in Yorkshire and Humberside, still the cheapest region for house prices.

The average price of a house in the UK is now generally estimated to be more than £23,000 — although there are wide regional variations. At the beginning of 1978 the average cost of a house in the UK was thought to be in the region of £14,300.

Clearly there is bound to be some retrenchment in the private housing market because of the gains of the past two years and the fact that house prices are now standing at slightly above their traditional relationship to incomes.

At this juncture it would seem unlikely that there will be any general fall in house prices but people's expectations of the kind of gains that they can anticipate on their property will clearly be reduced. There are already signs that sights are being lowered, particularly at the higher-priced end of the markets. In a number of areas original asking prices have been cut in order to find a buyer.

Those not already owning their own home — providing they can solve the problem of finance — should perhaps be thinking of taking advantage of what is again becoming a buyer's market. And even if Abbey National's projections are correct and prices rise only half as fast in 1980 as they did last year the capital gain to be made on a house will still outweigh the cost of a mortgage after taking account of tax relief.

Andrew Taylor

REGIONAL PATTERNS

(Fourth quarter 1979)

Economic planning region	Average price (£)	% change in average prices since 3rd qtr. 1979	4th qtr. 1978	Average advance (£)
GLC	28,702	3.7	30.2	15,823
South east	28,863	4.6	31.4	14,391
South west	23,267	5.2	32.9	12,456
East Anglia	21,540	6.5	29.6	11,982
East Midlands	17,496	1.3	26.0	10,711
West Midlands	20,996	3.9	34.7	12,230
Wales	17,767	−6.3	16.9	10,810
Yorkshire/Humberside	16,837	7.3	40.5	10,085
North east	18,412	4.9	23.3	11,132
North	17,459	5.8	21.4	10,895
Scotland	21,471	3.4	24.1	13,174
Northern Ireland	24,940	13.7	30.6	13,308
Total UK	23,894	3.9	30.0	13,019

Source: Abbey National Building Society

Exploring for fresh sources of funds

CONTRARY TO some expectations, the Building Societies Association (BSA) committee established to inquire into the likely need, on the part of societies, for alternative sources of mortgage funds has decided that there should be little cause for them to look beyond their existing market.

Against a background of continuing and recently worsening mortgage shortages (reflecting volume of demand rather than any fall in the level of finance generally available) the societies have themseves been examining their own capacity for satisfying the home loan market.

But while the members of the committee have concluded that the traditional retail savings market should support any foreseeable lending programme required, they accept that, within such confines, changes in policy will be required.

The committee's findings do not of course represent any firm policy decisions and their conclusions will be subjected to close scrutiny and considerable debate within the societies, by their competitors and by the politicians.

But the societies are clearly aware of the challenges being mounted against their traditional business by competitive financial institutions and accept that the politicians' concern will centre on the future availability of mortgage finance rather than on the protection of the societies' role as major providers of home loans.

The Government has at this moment its own inquiry going on into ways of overcoming the shortage of mortgage money and it has seen fit to include representatives of the major financial institutions, which may be expected to play a part *in whatever solution is devised.*

Answered

For the societies, however, the challenge of increasing outside competition will be best answered by putting themselves more or less permanently in a fully competitive position — something which they have only fitfully managed to achieve in the past. This would require immediate adjustments in investors' rates in order to follow market trends; hence the current suggestion that while these should be very flexible a way should be found of stabilising the mortgage rate.

To provide sufficient funds, the committee has concluded, the societies only have to ensure that they can be relied on to provide the best return available on personal savings.

The view is that if the societies attempted to diversify into the wholesale market, offering one set of interest rates to ordinary savers and higher rates for wholesale money, it would be no time at all before new bodies were established which would marshal groups of individual investors together in order to take advantage of the better wholesale rates on offer.

One thing is clear. A policy which offers "the best return" would at this moment mean investors' and borrowers' rates even beyond the record levels now in force. But despite the renewed expression of faith in the retail savings sector, the societies have not entirely discounted a number of potentially attractive ideas involving fresh sources of mortgage money.

These include taps into the banks, life assurance companies *and pension funds—all of which* would fit within any philosophy which accepted generally higher interest rates. There is also a suggestion that a secondary mortgage market similar to that which exists in the U.S.—and is widely used — could also be introduced.

Another suggestion is that at times when the societies find it hard to attract funds they could contemplate the issuing of sterling Certificates of Deposit (CDs) which might provide a major fillip to available finance in difficult periods.

This would require the societies to establish and maintain a presence in the CD market and although some might consider such a move unnecessary it could be a popular option if societies do contemplate any major policy diversions.

There will also be room for *fresh techniques* within the personal savings sector, possibly embracing such alternatives as a marketable term-share. The growth of the term-share concept among the societies has in itself been a major feature of the societies' recent activities and bringing as it does a proportion of more stable finance looks ready to become still more important over the next decade. Again, the principle of steadily more expensive finance is inextricably bound up in any such trend.

But, whatever reaction the committee's findings provoke and however the societies decide to react, the decisive factor behind the entire debate and strategic rethink will be the likely reaction of those other parties concerned, namely the financial institutions, the monetary authorities, the politicians and last but not least the public.

The BSA committee itself emphasised that its report represented nothing more than an objective analysis of the building societies' position and the best method by which they can continue to achieve their objective—the supply of mortgage finance and the spread of home ownership. But if the wider social and economic implications of the type of approach the *committee advocates* have been ignored by the committee they will not be overlooked elsewhere.

It is by no means certain of course that the views expressed in the report will be completely accepted within the societies, though it seems likely that they will be generally endorsed. The societies will most likely state that they have the opportunity to improve the flow of availability of mortgage finance to the private housing sector but that there must be a general acceptance that to do so the commercial and social considerations involved in their operations will have to be at least on an equal footing.

The societies—if they agree on a common approach—will no doubt be attempting to put their message across in the months ahead and look as though they may have some time yet before they could need to put to the test any new strategy on interest rates.

That opportunity should come when interest rates in the economy next begin to fall and the societies have an option not to trim back their own interest rates as much into line as would traditionally have been the case.

No building society executive would, however, underestimate the scale of the battle which *lies ahead if such a move is* indeed tried. Enormous political pressures would be brought to bear by any government — particularly one headed by a frustrated supporter of low interest rates such as Mrs. Thatcher — to cut mortgage costs to the minimum once the opportunity for lower interest rates arose.

Chances

The societies, in calling for an adequate flow of housing finance, even if accompanied by more expensive mortgages, would most likely be seen to have sense on their side, though the chances are that the short-term argument for cheaper home loans would alone occupy many people's minds. While higher interest rates would improve the flow of finance and make mortgages more readily available for some, what of those whose chances of home ownership would disappear altogether in an era of continuingly more expensive loans?

Much of the answer must lie in the definition of "competitive" interest rates and what exactly is implied by "more expensive" mortgages. With the recommended mortgage rate *at 15 per cent*, the cost of home loan finance is at a record level, but is 10½ per cent net for the standard rate taxpayer too much to bear? It is the huge fluctuations in rates which cause as many problems and these must surely now be contained.

Michael Cassell

Continuing dialogue with Whitehall

DURING periods of Labour government the building societies have often been heard to suggest, almost apologetically, that they enjoyed a better relationship then with Ministers than under the Conservatives.

Labour, they said, demonstrated a better understanding of building society affairs than their opponents, who had invariably failed to appreciate the special characteristics of the home loans industry or the factors which determined its success.

The societies' feelings may well have changed when the last Labour Government embarked early in 1978 on an interventionist line to restrict house price inflation—based on the energetically contested theory that mortgage advances dictate the rate of price increases. In any case, the relationship ended before it had time to deteriorate any further and the societies have spent eight months coming to terms with Mrs. Thatcher and her colleagues.

The new government is certainly as determined as the last to generate a climate where home ownership is held up as the ideal, and becomes increasingly possible—though recent events can hardly have served to help the dreams of millions come true.

At the risk of turning the *knife in an already troublesome* wound, reference to a paragraph in the 1979 Conservative manifesto shows just how sadly and suddenly things can go wrong. "The prospect of very high mortgage interest rates deters some people from buying their homes and the reality can cause acute difficulties to those who have done so. Mortgage rates have risen steeply because of the Government's financial mismanagement. Our plans for cutting government spending and borrowing will lower them."

Attacked

During a House of Commons debate in November 1978, shortly after the mortgage rate rose to 11¾ per cent, the then Prime Minister, Mr. James Callaghan, was attacked for allowing a situation in which home buyers were again having to face sharp mortgage repayments. Mr. Callaghan's answer was that "the British people would prefer to see inflation conquered, whatever short-term steps are necessary"—a defence which is strangely reminiscent of Mrs. Thatcher's line exactly one year later over the 15 per cent mortgage rate.

The Conservatives claim that, given the fullness of time, their manifesto pledge will be kept and that the depth of the economic crisis has forced a merely temporary diversion from the intended path.

Time may prove them right, but events have again shown clearly how the best laid plans are so easily frustrated. So what of the relationship which can be expected to emerge between a government dedicated to push up home ownership either by enabling council tenants to buy their homes or simply by making it easier for people to become owner occupiers?

A major test seems bound to come when the general level of interest rates begin to fall—many assume later this year. Mrs. Thatcher will be as keen as any home buyer to see the mortgage rate follow suit and the societies can expect daily pressure to do so once it becomes clear that their own interest rates are out of line.

But the societies are beginning to lay the foundations for what looks like being a more commercial approach to business—and one which implies higher interest rates than those which have traditionally been associated with the movement in the past. How far they will get if any such policy is tried remains to be seen, especially with Mrs. Thatcher herself feeling very uncomfortable about present high mortgage costs.

But the Prime Minister is equally aware that to raise the level of home ownership, mortgage finance has to be more readily available, though the societies of course have no exclusive rights to the home loans market and supplementary funds may well come from elsewhere.

The basic problem confronting the societies in contemplating any move which tends to indicate more expensive mortgage money is that the mortgage rate itself represents in political terms one of the most important single statistics there is.

The societies have successfully established a tradition in which home loans finance represents one of the cheapest sources of borrowing available to the general public and that is precisely how they are expected to keep it. In reality they have done just that—despite the record 15 per cent gross rate — but the societies themselves are perhaps largely to blame for failing to get the message across.

The societies have by default allowed the regular controversies over mortgage rate to centre on a gross rate which nobody pays and regularly failed to make the point about lending money at a negative rate of interest on an asset which invariably appreciates in a very substantial way.

At least part of the societies' *defence of such a passive stance* is that there is little point about singing the virtues of a commodity (cheap finance) for which demand almost always outstrips supply. A rate of 10½ per cent for mortgage money (the current net rate for the standard rate taxpayer) is indeed more expensive than ever before—but not prohibitively so, as the continuing queue of hopeful borrowers will testify in the coming months.

As part of the continuing dialogue between the societies and the Government over the months ahead, the movement will be renewing calls for changes in areas which directly affect their operations. In November, the Treasury said it was permitting societies to raise their special advance ceiling from £20,000 to £25,000, although the move was given a very cool reception by the Building Societies Association, which had been seeking a much higher figure. The societies are permitted to allocate only 10 per cent of total lending during any one year in tranches above the special advance limit, which had been at £20,000 since 1975.

Undeterred by only partial success over special advances, the societies can be expected to repeat calls for action in other areas. These include pushing the ceiling for mortgage rate relief from £25,000 to £40,000 or above, the abolition of stamp duty and the removal of the investment income surcharge for the over-65s.

M.C.

The banks and other challengers

THE BUILDING societies are not exactly looking over their shoulders but recent events have *served to remind them that their* traditional dominance in the home loans market is by no means assured. They have on occasion in the past seen their share of the mortgage industry pushed back by an upsurge in home loan activity on the part of other bodies, notably the local authorities.

But such intrusions have usually been temporary and the building societies have always managed to resume what has become regarded as their natural—and leading—position.

Final figures for 1979 are not yet available, but at the end of the previous 12 months no less than 82 per cent of total mortgage debt outstanding in Britain was owed to building societies, and during the year 95 per cent of the net increase in loans outstanding was accounted for by the societies.

The local authorities have themselves continued to play a very minor role in the provision of housing mortgage finance over the last 12 months. In the early 1970s lending by councils rose markedly to the point where local authorities counted for over 10 per cent of the market but this has been cut back to a point where repayments of council mortgages now exceed new loans made.

So with the virtual removal of the hard-pressed local authori*ties from the scene, the societies* could be expected once again to take all but a minor portion of the total mortgage business. But there are indications that the underlying situation may be changing and that those other financial institutions which have in the past only nibbled at the edges of the home loans business may in future present a much bigger competitive threat to the societies.

The growing difficulties encountered by the societies during 1979 as they attempted to meet a huge mortgage demand, together with the rising cost of mortgage finance, has apparently begun to provide competitive money-lending institutions with a real opportunity to take a share of the societies' business.

Acceptance

A growing acceptance among the societies that in future they *may have to offer—and charge* —more competitive interest rates, combined with the rising costs of running their money-gathering operation, means that the gap between themselves and the competition looks set to narrow. Most societies already charge above the recommended rates for larger loans, and as prices rise more and more advances tip over into the higher band.

As the gap closes, the societies could see a rising proportion of their type of business going elsewhere, though there seems no doubt that they would still have enough business to keep whatever funds they have available fully utilised.

In terms of competition the societies now have principally to eye the trustee savings banks, the insurance companies and the major foreign and UK banks to see where the challenge is being mounted.

The insurance companies, which lend largely on more expensive properties and combine advances with endowment assurance arrangements, have maintained a steady if low level of lending in recent years. They are now hopeful that their business in this respect can rise significantly in the medium term.

But it is from the major banks that the biggest chal*lenge comes. They have been doing* only a limited amount of mortgage business and much of this has represented nothing more than bridging finance to see deals through. Recently, however, they have begun to make longer term house purchase loans available at relatively high rates of interest.

It is too early to draw any conclusions but some of the 1979 bank advance figures concerning house purchase would suggest that, disregarding the immediate clampdown on lending, the volume of funds lent in this way could be on a fairly sharp upward trend.

Bank net advances for house purchase in the quarter ending August last reached £244m against £67m in the previous three months and £108m a year earlier. Latest figures show that net advances in the quarter ending November went up to £220m. So *while* bank mortgage advances in the nine months up to the end of November, 1978 reached £224m, in the corresponding period last year they amounted to £531m.

The total is tiny in relation to the societies' lending programme but there seems little doubt that the banks seem determined to see it rise.

Apart from the numerous overseas banks now offering mortgages at commercial rates, *the Midland Bank, Lloyds and* Williams and Glyn's are among those which have entered the mortgage market.

The Midland scheme offers mortgages from £20,000 to £150,000 for periods of up to 25 years; interest is charged at 2½ per cent over base rate. Lloyds is operating a pilot scheme for loans exceeding £20,000 and above at 3 per cent over bank base rate and Williams and Glyn's is offering loans of up to £100,000 at the same rates over a maximum of 20 years.

It is true that all these schemes are principally aimed at those people wanting larger loans, although the starting point of around £20,000 no longer represents an exceptional mortgage requirement in certain parts of the country. In London, according to the Nationwide Building Society, the average house price now stands at over £27,000 and in many areas the figure is at least over £20,000.

Excluded

The societies' recent difficulties have effectively excluded them from the higher end of the market but there is no question that they would happily be involved in an area where they can charge higher interest were it not for their desire to see limited resources spread fairly and evenly.

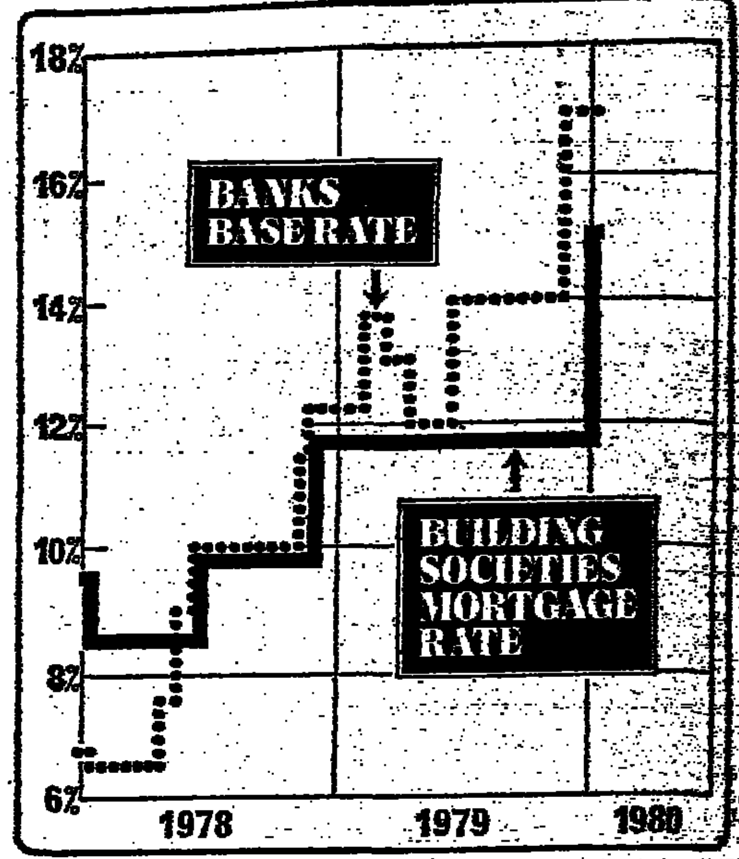
But they also face competition—albeit limited at this stage —further down the market scale. The Trustee Savings Bank entered the home loans business at the end of 1979, announcing that they planned to lend about £166m in the first year, a figure which is expected to rise to around £250m by the end of 1981.

Advances will be limited to £30,000 and be repayable over periods of up to 25 years. Unlike the commercial banks the TSBs are introducing their own mortgage rate, which will be influenced by market interest rates but will only be changed periodically and not necessarily in line with Minimum Lending Rate. Money will generally cost more than from a building society but will be available on terms which will be competitive with other banks.

Together, all these individual schemes fail to add up to any major penetration of the building societies' market. But with a Government committee now examining ways of improving the availability of mortgage finance, presumably with the involvement of the major financial institutions, developments may prove to be at a very early stage.

If the societies really are about to embark upon a more commercially-orientated phase in their history, then the mortgage market could be in for a major shake-up—and there are no guarantees about who will come out on top.

M.C.



Casting an eye on Europe

ABOUT HALF the homes within member countries of the European Economic Community are owner-occupied and home ownership, together with the demand for mortgage finance, is on the increase.

Not unnaturally, the result has been a remarkable expansion in the savings and loan business throughout Europe, although to date these activities have been confined within individual national barriers—despite the presence of a treaty designed to promote free movement of goods, persons, services and capital within the Community.

For the housing finance institutions, that free movement —yet to be secured—would enable them to collect funds and make loans in countries throughout the EEC. The ob*stacles to surmount before* that arrangement becomes possible are substantial and even when problems concerning matters like the cross-frontier movement of funds have been overcome, the wide divergence of housing finance operations will create another package of difficulties.

Finance for housing within the Community is raised in three basic ways: from short-term deposits with building societies or savings banks (as in the UK and Belgium); from long-term funds financed by mortgage banks via bond issues (Italy and Denmark) and from contractural savings schemes (West Germany and France).

According to Britain's Building Societies Association, it is easier for most of households to become owner-occupier in Britain than in other European countries. Houses, the Association says, are relatively cheap in relation to incomes and loans equal to a high percentage of the purchase price can be obtained without any formal waiting period.

Some potential borrowers in the UK might nevertheless prefer a pre-qualification to the present uncertainties if such a system enhanced their chances of obtaining the loan they wanted. In West Germany, for example, the Bausparkassen operations involve minimum savings periods and contractual sums and although there is no automatic right to a loan, few borrowers encounter difficulties, or delays in obtaining the finance required.

The Association concedes that the British building society system is not necessarily better than those in other countries as it has to allow for what it claims to be easy access to owner-occupation because of the scarcity of alternative rented property.

The *price to be paid for this* "easy access," it adds, is the variable rate mortgage. In no other European country can the mortgage rate paid by the majority of borrowers be changed as frequently or as much as is the case of Britain.

With the growth of owner-occupation representing a major sociological trend throughout Europe, it is hardly surprising that the providers of housing finance are beginning to cast an eager eye on the opportunities presented by such a big marketplace, in preparation for the time when they are able to involve themselves in moves to develop a common market in financial services.

Many of the societies are confident that, given the chance, they—like the British insurance companies and banks—could contribute to Britain's invisible exports by operating beyond their own national boundaries. The corollary is of course the arrival of competing institutions in the UK.

To date only a very few UK building societies have shown themselves to be taking the prospects of European operations very seriously. While national names like the Abbey National—with a non-trading presence in Brussels already established—and the Nationwide are looking to the time when they can operate fully in Europe, most of their UK counterparts have done little groundwork for themselves—although the Building Societies Association has been actively investigating possibilities within the EEC for some time.

Criticism

The societies are confronted, apart from the myriad technical and legal difficulties of European operations, with something of a public relations problem as well. At a time when continuing mortgage shortages can so easily negate all the undoubted benefits of the basic UK private housing finance system, the suggestion of lending money in other countries is likely to meet with some degree of criticism.

The societies are already making the point that European operations would not draw off funds from the UK, save for the relatively minor volumes of seed capital required, and that they would soon build up savings and investment abroad to enable these operations to become self-financing.

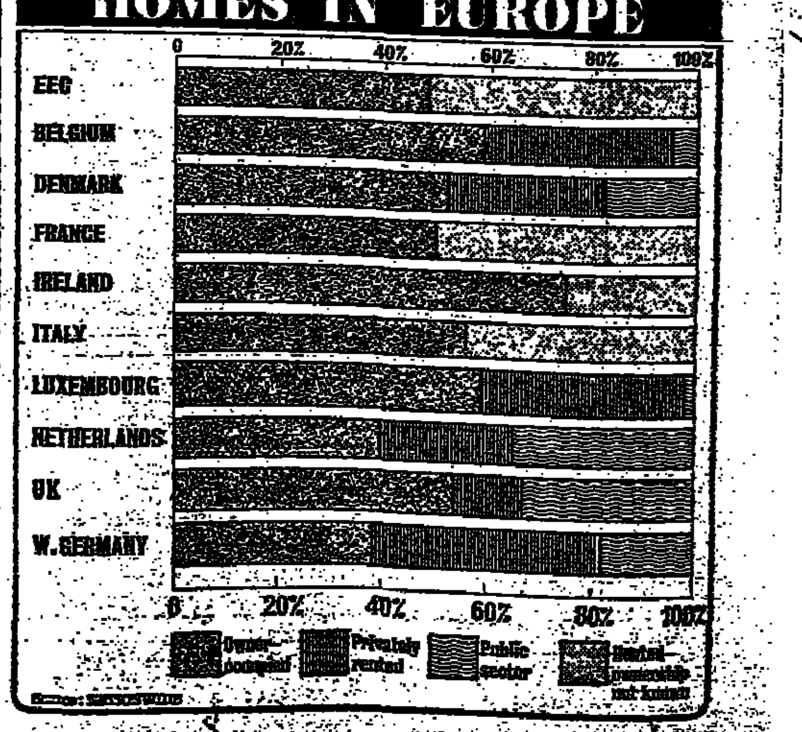
There will also be critics who believe that, whether or not European activities on the part of societies involve the shipment of housing funds away from the UK, the movement should confine its energies and resources to the mortgage market at home.

Some building society shareholders are already publicly questioning the societies' flirtation with Europe and suggesting that the trend could, once under way, represent a fashionable device to sustain the type of growth which has until now been the societies' major incentive.

The day when the European door is eventually opened to the housing finance institutions of the EEC to walk in and out of each other's countries remains some day off, although close contact with developments as they progress clearly makes sense.

M.C.

HOMES IN EUROPE



MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

ICL programmes its plans for a struggle in Europe

John Lloyd reports on how the leading European-owned computer group plans to deal with the official end of Government support

MAKING and selling computers in the full force of international competition is clearly an occupation for adults. As it enters its twelfth year of existence, International Computers (ICL), Britain and Europe's major domestically-owned computer company, seems to have convinced most observers that it has joined the grown-ups. But can it stay with them through to the 1990s?

Its record is mostly impressive; the bad year, when rumours of takeover abounded, was 1972 (see table). Otherwise, sales and profits have increased *steadily*, with a step change resulting from the company's acquisition of Singer Business *Machines in 1976*. Even more encouragingly, sales per employee have risen steadily, *until they are now* near the standard set by U.S. industry (except for IBM, which is way *out* in front).

A recent study for Buckmaster and Moore, the City analysts, concludes a *sober* rehearsal of problems by remarking that "the problems the future holds, of *which* ICL is clearly aware, can be viewed with some sense of constructive optimism."

Snapped up

More tellingly, the City put its money where its reports were in December, by snapping up ICL stock when the National Enterprise Board, which *had held* a 25 per cent stake for over two years, put it on the market.

Yet the range of problems facing the company, remains more or less constant; some of them have become more formidable.

With between 50 and 60 per cent of the world computer market, IBM last year showed it could be both technically innovative and cut prices. The Japanese manufacturers continue to grow in strength, and are busy establishing bridgeheads in Europe. The "second rank" U.S. companies—Burroughs, Sperry, Univac, NCR, Honeywell—have all recently restructured their operations, giving special attention to small business systems. Computer/semiconductor technology continues to advance ever more rapidly, posing formidable problems of flexibility to the established computer companies.

What are the chances, then, for ICL in the 1980s? Naturally, these will depend partly on a range of factors within the company—management (reputedly strong), research and development (successful, in the main), industrial relations (patchy) and *marketing* (good, especially abroad).

Outside factors also play their part, *of course*, and *not just* inflation and recession. So it is not surprising to discover that two of the three major areas identified by ICL's managing director, Dr. Christopher Wilson, as crucially important for the company's success, are concerned with the environment surrounding ICL, rather than with its internal affairs.

Wilson starts with ICL's home base. The UK Government has been *less involved* in ICL's affairs than most other European governments (with the *possible* exception of West Germany) in their computer industry, or Japan's — or, *arguably, the U.S., through* federal research and development funding. More than £13m *worth of grants came the company's* way in its early years, and a £40m loan over the years *1972-76 is still outstanding (and*, under its favourable terms, may never have to be paid back). On some comparisons, *this* is small beer. The Government, and later its agency, the National Enterprise Board, *have* held substantial stakes in ICL—but the December sale severed the connection.

A further, and for ICL much more worrying, move by Government at the end of last year was its decision to aid its economy drive by lengthening the life of its ICL mainframes, saving some £40m. That means lost sales in the immediate future for ICL, though it has earned some compensation on renegotiated service contracts.

For the most part, however, ICL likes the new distance of its relationship with Government. Wilson does not believe that his company's research and development department can be helped substantially by having Government money thrown at it — though he admits other companies in other countries do not share his view and are receiving substantial aid. Beyond a certain, quite low, point, extra R and D expenditure can be wasteful and unproductive, he suggests.

There is one kind of assistance which Wilson does not consider to be Government aid (though it is from the Government), which he would like very much. That would come in the form of project support.

Trevor Humphries

Geoffrey Cross (left), managing director from 1972-1977, is given much of the credit for pulling ICL up to its present position. He left Univac to join ICL, and has since become GEC's roving representative in the U.S. Dr. Christopher Wilson (right), the present managing director, had been director in charge of ICL's fast-growing international operations since 1972. His management style and strategy has been similar to that set by Cross, though he has developed over the past year a distinctive policy for the company's future

ELEVEN-YEAR TRADING SUMMARY

Year-end Sept. 30	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Turnover £m	115	131	151	154	169	201	204	288	419	509	624
Change—%	—	+14	+15	+2	+10	+19	+19	+20	+45	+21	+23
Sales per employee £000s	3.4	3.6	4.6	5.6	5.9	6.9	8.5	10.6	13.0	15.0	18 0
Pre-tax profit £m	5.5	7.7	10.2	3.3	10.9	13.4	16.2	23.1	30.3	37.5	45.7
Change—%	—	+40	+32	−68	+230	+23	+21	+43	+31	+24	+22
Margin—%	4.8	5.9	6.8	2.1	6.4	6.7	6.8	8.0	7.2	7.4	7.3

Project support is probably practised most successfully by the government and the federal agencies of the U.S. For ICL it would mean:

First, a *Government department* or state agency specifying its present and future (say, five or *ten years ahead*) data processing needs to the company;

Second, the company developing a computer system to meet these needs, thus placing it in a favourable situation to win the contract;

Third, the system development which the company undertakes allowing it to bring on new projects and innovations which keep it at the forefront of the technology. This would benefit the project supporter (Government or agency), as well as other future customers, and of course the company itself.

In particular, project support would benefit two recent innovations pioneered by the company, known in this acronymic industry as DAP and CAFS. DAP stands for distributed array processor. This is a technique which, by combining each element of a computer's memory store with the store's own processor, greatly increases the power of the computer to which *it is attached*. CAFS, or content addressable file store, is a new information retrieval system which is both fast and cheap. Both can be added on to existing ICL machines.

The company believes they are world beaters: Wilson says of DAP that it is "eighteen months or two years ahead of the Americans." But both need development, which is where project support would come in. Alan Benjamin, the company's new director of corporate affairs, will be spending much of his time attempting to convince Government of the case.

The second major rearrangement in its marketing environment which ICL is pushing hard to achieve is on the European front. In brief, it wants a Europe-wide policy for buying computers to replace the state-by-state policies which—in theory—cease at the end of this year under a European Commission directive.

It is hard—maybe impossible—to determine quite what the company will lose with the ending of the UK purchasing agreement. Historically it has meant that central Government departments come to ICL for all their mainframe needs, which meant a market for ICL last year of around £30m, or 5 per cent of its total sales.

Local government, government agencies and nationalised industries, on the other hand, can shop around. Many do, though many more buy ICL, and some analysts (and all competitors) maintain they are encouraged to do so. The total UK "state" market accounts for around 20 per cent of ICL's sales.

The "ending" of this system is likely to be somewhat attenuated. Neither Government departments, nor the agencies, will want to switch suddenly to other mainframes when they have long-term service contracts with ICL. "But," says Wilson, "I *think* you may get a kind of 'anti' reaction at the end of the policy: after years of having *to do one thing, you tend to* react violently when you find you're free to do another."

There *is some cynicism* in ICL—Wilson shares it—over how far any European state will go in ending preferential purchasing. "Governments will favour their own industries; you can't imagine them doing otherwise."

No one believes, then, that the ending of preferential purchasing means the end, or even the very substantial sudden diminution, of the public sector market. It is accepted, however, that there will be some loss. Yet the company claims that the compensating gains could be higher—provided that European governments and state agencies, through the European Commission's lead, adopts a "buy European" policy.

If no action is taken, the ending of the state-by-state policies will leave a vacuum; no European-wide computer purchasing policy will come into effect, with the exception of the exemplary ordinance undertaken by the Commission itself, to buy only European computers. It is this vacuum ICL seeks to fill, encouraged by the interest now being taken in the sector by the Industry Commissioner, Viscount Davignon, who has spoken of "using the Community's powers and the purchasing power of public authorities to create new European markets."

For the moment, the company is not wholly clear what sort of policy that would be. Wilson favours a system where, if the national supplier were passed over by a public authority in any member country, the second choice should be another European manufacturer, rather than a U.S. or Japanese-owned one.

It may be hard to get this kind of agreement. In the richest market, West Germany, the historic weakness of Siemens in mainframes has meant extensive State purchasing of IBM machines—the U.S. giant holds more than 60 per cent of the market. Would German bureaucracy take kindly to being told to switch from IBM to Siemens (now being strengthened in large machines by a link with Japan's Fujitsu) or ICL, or the main French company, Cii-Honeywell Bull? And would IBM, which makes plausible claims to manufacture at least as much of its hardware in Europe as do the other European companies, allow *large slivers of its market to* be whittled away without a struggle?

Finally, it may not be allowed. The ending of preferential procurement is part of the GATT arrangements, in which the EEC represented its member states. It seems unlikely that anyone will re-open GATT negotiations for ICL's sake.

Wilson believes that the achievement of such a policy would be an enormous help to the company, but not a condition of its survival. Getting up from his desk to a demonstration board, he squeakily traces a pie chart representing the world computer market. "This," he says, taking a modest slice out of the chart, "is what ICL could be doing in the next 10 years anyway, if we keep on working flat out. This—a rather larger slice of the pie—is what we could have with a procurement policy."

Diplomacy

That extra bit is important enough for the chairman-elect, Philip Chappell, to identify European diplomacy as his most important task.

The third, last, and most important factor for ICL's future is its product strategy. Its range is wide; it claims to cover 85 per cent of the general purpose range. Its acquisition of the U.S. company Singer's business machines division in 1976 for £19m doubled its market in small business systems and gave it an entree into the U.S. (its share remains tiny, however). The ex-Singer System Ten range, together with the 1500 mini-computer and point of sale terminals, are some of ICL's most successful, and it has recently introduced two new machines together with a number of new terminals.

More generally, ICL has the advantage of being able to claim the most modern computer architecture in the world, since its innovation through the 1970s in the 2900 range of machines, which anticipated the growing need for information systems, rather than simple number crunchers.

In a recent seminar, Wilson criticised the promiscuous proliferation of small systems, and argued that clients of all sizes needed "building blocks" which were capable of growth and which could be supported by software as they grew. *Companies* marketing only *small* systems, he argued, could not give that support and could not *allow growth*.

The natural choice for the wise user at any level, he said, would be the "principal systems company," with a wide range and massive software expertise. "An essential requirement for such a principal systems company is the ability to provide continuity of support over long periods of time, in all parts of Europe and elsewhere in the world."

Yet the introduction of new architecture can be a mixed blessing, especially in its early stages. The author of the Buckmaster and Moore study believes it cost ICL market share: "The reason for the losses (in share) is basically the sheer cost and inconvenience of altering a whole programme system and control language." The study also shows up weaknesses in *the minicomputer end, claiming* that the company has little or nothing on the shelf for very *small businesses, where growth* is expected to be rapid.

ICL has, of course, addressed itself to the dynamic competition in small business systems, a field where a number of relatively new companies *have* blossomed gloriously — and believes it has an answer to it. *Time will favour the large* companies.

Wilson's self-defined task, *then, is to maintain and develop* ICL as a "principal systems company" into the next decade. That means strength in small systems and large ones; continuing success in technical innovation; a still more aggressive marketing policy overseas, especially in Europe and the U.S.; some level of Government support, at both national and European level; the maintenance of a strong share price to deter takeovers; an ability to outguess IBM and the Japanese on at least *some* things; a continuing improvement in productivity and further development of software support.

"Damned hard work," says Wilson. Indeed.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● FINISHING

Automatic enamelling plant cuts rejects

An automated electrophoretic enamelling plant which has cost £750,000 is cutting rejects of 40 per cent by hand spraying to 15 per cent at Cannon Industries, the GEC subsidiary that makes up-market gas cookers and fires.

It is part of a near £3m five-year investment programme at the Bilston site designed to improve the company's 11 per cent share of the market by pushing up production from a current 1,500 a week to 2,000.

The in-line enamelling plant is claimed to be the only one in Europe capable of applying two colours simultaneously. It has been designed, built and installed by Otto Durr (GB) of Warwick, an offshoot of the German company specialising in supplying the automotive industries with paint and metal cleaning plants. The company is currently completing a substantial contract with BL for the new Mini Metro.

The Cannon plant looks like an electroplating line and produces an extremely hard finish. While it is in operation no one is allowed on the plant because of the high voltage DC electrics used. The components, mainly decarburised steel pressings, are loaded on to plastic-coated stainless steel jigs and are secured by two contact points to provide electrical connections. A conveyor takes the components through the 22-stage process before passing them on for firing. The enamelling cycle time is 84 minutes compared with 120 minutes on the former plant.

Surplus enamel is pumped into settling tanks for recycling, achieving a 98 per cent utilisation rate compared with 45 per cent with hand spraying. Some 60 per cent of water is recovered in an automatic effluent plant for re-use.

PETER CARTWRIGHT

Economical gold plate

EUROGOLD N *is the name of a* 24 carat gold plating electrolyte which gives deposits approved by the Post Office to *specification* M468.

The company claims that the solution will enable users to deposit gold more economically because of an improved *distribution of thickness*; savings, it says, are reported to be between 10 and 30 per cent according to equipment geometry.

Five microns of gold can be deposited in 12 to 16 minutes at a current density of one ampere per square decimetre. The electrolyte is said to be extremely tolerant to organic contamination from phenolic and epoxy printed circuit boards and the process is resistant to lead contamination from tin/lead electroplated surfaces.

Further gold savings can result, says the company, because Eurogold N is able to produce pore-free deposits down to three microns on copper substrates rather than the normal five microns.

Wear resistance of the deposits when mated against themselves and other bright acid gold deposits is said to be "very good." Nickel content is only 0.2 to 0.4 per cent.

More from 188 Bath Road, Slough, Berks SL1 4DU (Slough 28282).

● PRINTING

Wallpaper production

EIGHT-COLOUR printing press *for* wall *and* other decorative papers produces a high-quality fine print at less cost and *sharply reduces* the time taken for a print change to around half an hour. Conventional surface print machines used traditionally worldwide require some two hours.

The reduced change time meets the current market demand for short print runs and thus an increasing number of design changes. Changeover time between production runs is thus becoming critical.

The new UK-designed machine is a central impression press with eight printing stations, four on each side of the impression cylinder. The stations are mounted on side frames which slide away from the cylinder to give immediate and easy walk-in access to the printing rollers for cleaning or roller changing.

Conventional flexographic print rollers are normally used, though an advantage is the ability of the press to use either the epoxy or aluminium print rollers from traditional surface print machines. The rollers are fitted to extremely stiff shafts with unique running controls which give precise axial and radial adjustment to each roller, enabling a fine and extremely accurate print register.

In line with the latest safety requirements, the machine is fully guarded in use but convenient for the operator. It will run at speeds up to 180 metres/minute and can replace existing surface print machines while utilising all other existing and installed line equipment.

Timperley Engineering, Park Street, Timperley, Altrincham, Cheshire.

● ELECTRONICS

Tests and categorises devices

TERADYNE has a new T327 discrete semiconductor test system with data-logging capability and menu programming.

It can give both discrete device manufacturers and electronic equipment producers the speed, operating simplicity, and information they need to test and categorize devices quickly and easily.

Menu-programmed software of the T327 *is easy* to use. A prompting sequence leads users through the steps necessary to create *test plans* or *structure* the test bin scheme. Datalogged results and summary information *are available* on a CRT screen, a thermal printer, or optional line printer for hard *copy, and floppy discs can record* information for permanent storage. The T327 can *accommodate several additional* automatic handler or manual test stations, and it can execute as *many as six different jobs at* once.

Teradyne, Clive House, Queens Road, Weybridge, Surrey. Weybridge 51431.

● AUTOMATION

Will give control

DESIGNED AND made by Bofors Electronics and on show in the UK at IPHEX 80 (25 to 29 February) will be an accurate microprocessor based positioning servo system.

A number of transducers, electronic units, servo-valves and actuators can be used in the system to give control of valves, pumps and motors, positioning, co-ordinates, rotational speed, pressure, torque and power.

Such systems would have micro control of all functions and would offer position accuracy, for example, to within 0.1 mm. Velocities up to two metres/sec. can be handled and the system is adaptable for different masses and forces. Press-button programming of functions is provided with important information clearly displayed. The company states that "enormous electronic flexibity" is ensured by the use of standard modules.

The system is designed for many kinds of electro-hydraulic applications ranging from control systems for winding machines to press control for plate bending.

Bofors Electronics, Manton Lane, Bedford MK41 7PB (0234 62637).

● DATA PROCESSING

Moving into another market

SEVEN-YEAR-OLD, privately owned British company Videcom, which has now reached a turnover of £2m in the airline travel on-line terminal field, has decided to turn its attention to the general business market for such equipment with the introduction of the System 80.

Videcom has designed and is manufacturing the visual *display units, including the* Hall-effect keyboards, together with all the communications, interfacing *and* multiplexing equipment needed to run systems with up to 128 terminals.

A plug-compatible substitute is offered for IBM 3270, PARS, ICL 7181/7502, Univac U-100/200, Burroughs and other terminal cluster systems.

Multi-access is the keynote: Videcom claims it can work such a large terminal system into as many as 50 different mainframes at the same time.

In a *typical system the remote* mainframe is connected via modems and a 2400—9600 baud *synchronous* line to a terminal drive unit (TDU) which serves terminals at that location, or *remote terminals* over an 1800 baud asynchronous link via remote cluster units (RCU). *The TDU, however*, can be linked with up to 50 mainframes of the types mentioned. Software has been written for connection into X25 networks and is under discussion with the Post Office.

Further "remoting" can be implemented because two RCUs can be connected together, acting like modems over another 1800 baud line, the second accommodating another seven terminals.

The display units themselves will be offered with 1000 or 2000 character screens, with 12 or 15 inch diagonal. Phosphors can be P4 or P31.

More from Newtown Estate, Henley on Thames, Oxfordshire (04912 78427).

Watches over machines

PANAUDIT is being made available for IBM systems users in the UK and Europe. *It is a* complete audit package with auditor training documentation and *telephone support*.

Though the command system is simple to use it will quickly create *complex* reports. The data dictionary, on which file definitions can be stored *indefinitely*, gives *less* error-prone access and enables file changes to be made without the need to modify *standard* audit programs.

The auditor can use the *computer to survey and rank in* order of importance all systems in use. In this way, audits can be started in the most critical *parts* and *the audit campaign* conducted in the best logical order.

Panaudit *incorporates* over 50 programs which include integrity tests, random number *generation*, distribution analysis and graphing, aging routines, statistical sampling and *encryption/decryption of data*.

Pansophic Systems, 46 Pembridge Road, London, W.11. *Tel. 01-221 5877.*

To market in Europe

NATIONAL Advanced Systems has announced that it has begun European marketing of a medium-scale general purpose computer, the AS/3000.

Aimed at the middle portion of the IBM-compatible market and specifically the 4300's, this machine offers a level of performance equivalent to that of the IBM 158-3 and higher than that of the 4341, NAS asserts.

In Europe, the AS/3000 is *offered* with full on-site software support service at *no* additional charge.

National Advanced Systems (Europe), Bowater House, 68, Knightsbridge, London SW1X 7LN.

● HEATING

Moveable fireplace

DESCRIBED as "the only *fireplace to be installed and to* heat like a woodburning stove" is a unit which, because it is transportable can be resited elsewhere on existing premises or can move with a family to another home.

The Supra can be installed in about an hour (depending on the chimney), sited in a room in a corner, off-centre or in a central position and on almost any wall, says Brefco (Northern), PO Box 16, Brook House, Peel Green, Eccles, Lancs (061 789 8111).

Flueing arrangements for the woodburning fireplace are either via connection to an existing chimney or to a class one, factory-made chimney installed within or outside the house.

Complete with cast iron firebox, decorated back plate, natural stone hearth and wood mantel in natural oak, the unit is designed to burn both logs or peat.

● PROCESSING

Prints the message

VIRTUALLY a pocket-sized desktop silkscreen printing outfit, the Screenstamp enables a user to print slogans, symbols, sales messages, prices or drawings on many types of surface from paper to glass, metal, plastics and cloth, curved or flat.

The message is small (75 mm × 22.5 mm) but the method is exactly the same as that used by commercial silkscreen printers. A quick-drying ink is held in the handle of the Stenprint Screenstamp and is dispensed by capillary action and gravity.

Stenprint, FREEPOST, Worthing, W. Sussex BN14 7BR. Worthing 204324.

LOMBARD

Gloom and doom in the Treasury

BY PETER RIDDELL

IT MUST be very depressing to be a Treasury minister. First, Sir Geoffrey Howe talked about "almost frighteningly bad" *economic prospects and now* Mr. John Biffen offers us three years of "unparalleled austerity." All this gloom and doom is a bit like trying to sit through an all-night show of Swedish films—all very disturbing, but is this how life is really lived by these ministers' constituents in Surrey East or Oswestry?

Treasury ministers have their own traditional occupational reasons for painting such a black picture. It may help to "bounce" Cabinet colleagues into accepting spending cuts and it may help to talk down large wage claims and to lower expectations about income tax cuts. Moreover there is something to be said for a partial corrective to the Panglossian world of abundant hope which Mr. Denis Healey sometimes seemed to inhabit as Chancellor.

Metaphors

Mr. Nigel Lawson, who is less prone to fashionable despondency than his colleagues, has summed up the change from the Healey days, saying, "the age of optimism is over. The age of realism is upon us." I suppose it makes a change from the age of enlightenment. Yet the switch in economic metaphors seems to have been rather overdone.

It is incidentally puzzling how Mr. Biffen can be so sure about all the austerity to come. After all, in common with his ministerial colleagues, he has openly dismissed the "uncertain science of economic futurology." His remarks about the future have to be based on something: at any rate, his hunches and the Treasury's medium-term economic assessment appear to be uncannily similar.

However, even if one takes the published forecasts at their *face value Mr. Biffen's remarks* appear exaggerated. Admittedly, as I discussed in this column on January 4, many City forecasters—at least those with conventional macroeconomic models—believe that the Government's strategy will have only limited success. The inflation rate may not accelerate much further but it may still be in double figures in the mid-1980s while output growth may be sluggish and unemployment may be high. This could mean a continued relative decline of British manufacturing. But this is not the same thing as "unparalleled austerity." It is also, of course, a view of neo-Keynesians rather than the *monetarists with whom* Mr. Biffen sympathises and who are generally less pessimistic.

Modest

The main difference between this recession and previous ones is that, thanks to North Sea oil and the consequent rise in the exchange rate, producers and consumers are likely to have a different experience. Manufacturing could certainly face as bad a time as in the mid-1970s, and possibly even worse. But consumers should be better placed. Even some of the most pessimistic forecasts, such as those of Phillips and Drew, indicate a continued slow growth in consumer spending after the end of this year, averaging perhaps 1 per cent a year in the first half of the 1980s. This may appear modest after a jump of over a tenth in the past couple of years, but it is hardly unparalleled since in the four years between 1974 *and 1977 spending fell to well* below the 1973 level.

Political

The early 1980s may not be boom years but they should not be particularly painful for most people. This may be of scant comfort to the poor and unemployed, but exaggerating problems is as misleading as ignoring them, and could produce an excessive reaction. In *fairness to Mr. Biffen and Sir* Geoffrey, there may be a political need to lower expectations about the rate of growth of *living standards from now on and, in particular, to warn that* the Government will not be able to do much to help. But beyond that ministers who are distrustful of forecasts should be wary of talking about the future.

Georgian thoughts on landscape still apply

THIS WEEK, I am writing with one eye on those who own both land and gold—advice, in short, for those who have spare money and the space in which to garden on the grand scale. I imagine that they look out over land which they control and which they would like to plant elegantly without taking yet more labour on the books. The principles are the same wherever the *FT* lands on the breakfast table—in Scotland or Southern Europe.

There are many good statements for them, but the wittiest is found in the writing of a past master of the English landscape. William Shenstone was poet, gardener and centre of an admiring circle of friends. Literary scholars rate him as a minor talent in the mid-18th century. I wish I had known him.

Shenstone was well aware that taste and social standing went together. His was the age with an ideal of Horatian elegance whose landowners were persuaded that they alone were guided by nature, that simplicity meant about 50 acres and a park which could be adorned by the local poor.

We are told that all of this died centuries ago. Most of it, in fact, still lingers in high corners of English life.

It is worth remembering Shenstone when you next visit one of London's thriving garden-centres. Among the snow white pottery and the topiary laurels at £20 a time, I recall his judgment on popular taste. "The taste of the citizen and the peasant are in all respects the same. The former paints his stonework and statues white; plants his trees in lines or circles or gives them the resemblance of birds or bears or men; squirts up *his rivulets in jets; in short,* admires no part of nature but her ductility, exhibits everything that is glaring, that implies expense or that effects a surprise *because it is* unnatural. The peasant is his admirer."

Shenstone himself was neither citizen nor peasant. As soon *as he left Oxford, he took up* poetry and a model estate. He gardened the landscape at The Leasowes, near Birmingham, of which no worthwhile trace survives. I assume that he had the talent which friends saw in him. Of our practising gardeners, I suspect he was far greater than Capability Brown. His own home fields were his life's work, visited and admired for their natural design by his many sensitive friends.

What, then of his own principles of taste? Some are simple enough—that water should always curve or flow irregularly, that urns should be solemn, large and plain. Some of these rules are often broken for no good reason. Water, for instance, is the first thought of many gardeners when improving a new site. But water, Shenstone saw correctly, should only be placed where the eye looks down on to it. "Customary *nature,*" *he wrote,* "makes this requisite." So, too, do reflections and the play of light and shade. Equally, a sheet of water should never be *mean. If you are planning to* open a space in order to flood it, you will find that it is hardly more expensive to flood it generously. Open out a stream into a lake and shape it like a curving triangle or a wide rectangle on to which you look from above.

Any taste, of course, is influenced by its date and context. Shenstone first published his principles in Unconnected Thoughts on Gardening in 1764. To appreciate them, you have to enter into the conventions of mid-Georgian taste. He divides the grand from the beautiful, the sublime from the pleasing. Grandeur is found in large and simple features; beauty in what we would call charm or variety.

The two qualities, beauty and grandeur, must be kept apart from any planting, though a garden needs them both. Applied *nowadays this is still* sound sense. Do not contrive too many beautiful features without a simple open space to lead you up to them. Throughout, *Shenstone and his friends* disliked topiary and loved nature.

These principles sum up the *taste* of a wide circle which *patronise* the English landscape garden. They are well known. Others, however, are more ingenious.

"It is for the most part," Shenstone believed, "the gardener's business to remove trees or anything that fills the low ground and to give, as far as nature allows, an artificial eminence to the high." This seems simple, but many ignore it. If you want to improve a field or wild garden, the planting of hills and the clearing of valleys is a sound point from which to begin. It breeds further ideas and stops you misplacing the main features.

On a smaller scale if you are planning a path, remember the further principle that foot and eye are not advised to travel the same route. "Lose the object and draw nigh obliquely." This applies even in a small space. It means that if your eye looks at *a feature or a wood across an* open space, you should try to lead a visitor to it by another route so as to make it seem unexpected when he reaches it.

*Shenstone would have under*stood the modern fashion for dividing a small garden into formal compartments informally planted. He might, however, have preferred the ground plan to be irregular. Beauty, he thought, is enhanced by smooth transitions. Abrupt and rectangular turns are appropriate to grandeur, but grandeur is not everywhere in place. "A tapering spire is perhaps a more beautiful object than a squared tower."

If you want a landscape planting to seem natural there is still force in this simple advice. Plant it in curves, not clumps, and allow the lines to drift across each other's plane.

Most interesting, to me, are the proposals for increasing space and deepening perspective. They are not remembered nowadays, but apply even in a small garden. An alley, Shenstone thought, should not be of one colour or texture. Dark trees, yews or holly, should stand in the foreground while their line *should* shade away into lighter and less dense trees behind them

Lastly, two comforting principles for *modern* farmers. Hedges, to the Georgian eye, "are universally bad." I would disagree strongly, but the burn*ing of our best hedgerows does* have the sanction of masters of the landscape behind it. The hedge, they thought, was artificial. At the same time, even *Georgian England* had its eyesores, and the gardeners' way with them was most ingenious. They distanced them by surrounding them with circles of contrasting evergreen shrubs. An outer circle might be holly; then, after a gap, the paler green of laurel.

The principle worked for them *because* the eye assumes that the gap between these dark circles is really very large. "The imagination is a greater magnifier than a microscope." *Our eye* measures the distance to the dark circles of evergreen, then tends to assume a similar gap again between the contrasting greens in the circles *on which it lights.*

If the eyesore is painted green too, the mature planting will seem to push it still further away from the eye.

These "unconnected thoughts" may seem very general, far removed from what to plant and why. But we all work to a plan of sorts and plans are only built *from general assumptions.* If you know the limits, you can work from them to suit the ground. The limits, in my view, are no less valid for being two centuries *old.*

GARDENS TODAY

BY ROBIN LANE FOX

Starlight Lad in fine form

RACING

BY DOMINIC WIGAN

BOTH today's meetings — Folkestone and Market Rasen—now seem likely to go ahead. There were serious doubts about Market Rasen, because of frost, but this thawed out yesterday morning and prospects now look a good deal better

By far the most interesting race of the afternoon on the right-handed, oval circuit of Market Rasen is, in my opinion, the Horncastle Novices' Chase. This two-mile event sees Blessed Boy, Starlight Lad and St. Torbay in opposition.

The most experienced member of this trio, Blessed Boy, won impressively at Southwell on *January 10. Running on* strongly in the final half mile of the Thorpe Handicap Chase the eight-year-old was well in command in the closing stages —passing the post with 20 lengths in hand of Red Clip.

However, Blessed Boy came down on his most recent appearance and there must be the chance that the setback may have temporarily sapped his confidence and as a result he could be over-cautious at the fences.

In contrast to Blessed Boy, Starlight Lad got a fine confidence booster at Newcastle last time out. There the six-year-old, a faller on his three previous outings, made amends with a 10 lengths success over Black Market. Cutting out all the running Starlight Lad cruised home at his leisure in the Widgeon Novices Chase following the fall of Netherton *three fences from home.*

St. Torbay, the one course winner from the trio, has been a model of consistency recently. The eight lengths conqueror of Rajpipla in the Limber Hill Novices Chase here on December 26, St. Torbay then found Pile It High and Open Fire too good in successive races at Leicester and Warwick.

In what promises to be an *intriguing* race I intend taking a chance on Starlight Lad, whose speed should prove decisive, provided his jumping doesn't let him down.

MARKET RASEN

1.00—Telestar*
1.30—Rednael
2.00—Starlight Lad***
3.30—Bishop's Pawn**

FOLKESTONE

1.15—The Herb
2.15—Betton Gorse
2.45—Tudor Maestro
3.45—*Musical Prince*

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

TV Radio

BBC 1

† Indicates programme in black and white

9.05 am For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Playboard. 2.01 For Schools, Colleges. 3.25 Children's Wardrobe. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Pixie and Dixie. 4.25 Jackanory. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.10 Our John Willie.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.50 The Wednesday Film: "Run For The Sun," starring Richard Widmark.
8.25 The Two Ronnies.
9.00 News.
9.25 War School.
9.55 Sportsnight.
10.45 Parkinson with guests.
11.45 Weather/Regional News.

All Regions as BBC-1 except as follows:—

Wales—11.02-11.22 am I Ysgolion. 5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.05 Young Scientists of the Year 1980. 7.35-8.25 The Rockford Files. 11.45 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.45 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.20 am Gharbar.
11.00 Play School.
†3.40 Laurel and Hardy in "Brats."
5.55 Pride And Prejudice.
6.50 The Master Game.
7.20 Mid-Evening News.
7.30 Mr. Smith's Indoor Garden.
7.55 Arena. Lene Lovich—Sleeping Beauty.
8.30 Midweek Musical: "Hello, Dolly" starring Barbra Streisand.
10.50 Late News.
11.05 Something Else from Belfast.
11.45 Closedown reading.

LONDON

9.30 am Schools Programmes. 12.00 The Adventures of Rupert Bear. 12.10 pm Rainbow. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 The Squirrels. 2.00 After Noon Plus. 2.45 The Outsiders. 3.45 Hobson's Choice. 4.15 The Sooty Show. 4.45 The Book Tower. 5.15 Mr. and Mrs.
5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 London Night Out.
9.00 Disaster on the Coastliner.
10.00 News.
10.30 Disaster on the Coastliner (continued).
11.15 In Performance with Sarah Vaughan and Buddy Rich.
12.15 am Close: Christian Unity Week with Rev. Alec Gilmore.

All IBA Regions as London except at the following times:—

ANGLIA

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

Radio Wavelengths

RADIO 1

RADIO 2

RADIO 3

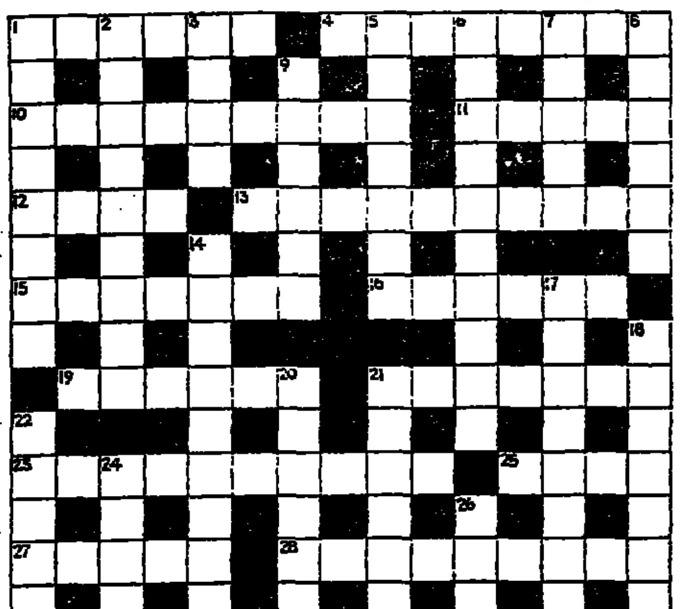
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 4,181



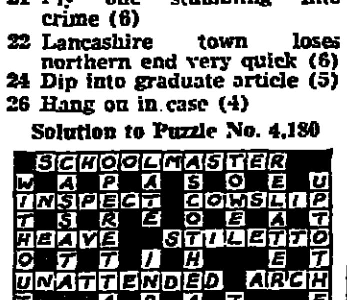
ACROSS

1 Duplicate drain (3, 3)
4 Get up to parade before a member (4, 1, 3)
10 Train chap to be a theologian (9)
11 Doctor receives a paper money order (5)
12 Willingly tell story to small female (4)
13 Regret country is in poor shape (5, 5)
15 Reluctant to be rude—nay perverse (7)
16 Manage to go straight (6)
19 Ridicule has cause to rise (4, 2)
21 Support outside left with *relish* (7)
23 Series of games only with footpad (6, 4)
25 Breadth of support for building (4)
27 Put in position to take chair before newsman (5)
28 Youth has to register sound of small part (5, 4)
29 Finished twice exhausted (8)
30 Cadge cake (6)

DOWN

1 Steal stock out of bed to produce when needed (6, 2)
2 Academic distinction gained *by Pole to any extent* (3, 6)
3 Fruity sweet made by kid (4)
5 Make a ton for part of county (7)
6 Way off target feast looks common (10)
7 Beast goes 50-50 with a parent (5)
8 Get together in fold (6)
9 Give concrete form to first person upset over mass (6)
14 Shrewd firm led (4-6)
17 Stop breathing on feathers of swallow with difficulty (5, 4)
18 Chief point of first night (8)
20 After husband who takes a regular correspondence course (7)
21 Fly one stumbling into crime (6)
22 Lancashire town loses northern end very quick (6)
24 Dip into graduate article (5)
26 Hang on in case (4)

Solution to Puzzle No. 4,180



THE ARTS

Covent Garden

Werther

by MAX LOPPERT

The latest revival of *Werther* has obviously enjoyed a complete and thorough period of preparation—happy compliment to be able to pay the Royal Opera this season! It has also been thoughtfully cast; so any disappointments felt during Monday's performance may be ascribed to a sense of so far unrealised potential, and to disagreements about the way in which the opera is being conducted and produced. No disappointments over Frederica von Stade, whose Charlotte, simple, delicate, natural, and poignant, has the effect of showing up any staginess around her. "One easily forgets," wrote Guillaume Ibos, Werther in the first French production, "that the work is made up entirely of emotions, intense but all coming from within, and there is invariably too much noise, too little feeling, not enough variety of nuance, not enough music."

Whether or not Miss von Stade has read Ibos' *Souvenirs*, her beautiful portrayal is in effect a demonstration of the artistic wise counsel enshrined therein. The way she moves across the stage, opens a door, stretches out a hand, breaks into tears, indicates an absorption into the character that is the perfection of operatic acting. The role is one she might have been born to play; but it is not simply the bloom of youth on the looks and on the voice (a few thinned-out high notes notwithstanding) that measures an outstanding success with it. Her words are clear, eloquent, at times fragrant; if we are not to have an all-French cast for an original-language performance, singers of Miss von Stade's intelligence prove that an alternative is not only possible but even desirable.

Werther is José Carreras. The tone sounded somewhat less unforced than usual—heavy passages lie in wait for a tenor of his particular character, and in them there was a suspicion, on Monday, that Mr. Carreras was not in his best voice. The personality, though, was as unforced as ever, and belonged to the same sympathetic hero of previous Royal Opera appearances in Verdi and Puccini. That was the problem. His is an entirely unspecific performance, whose good qualities—avoidance of vulgarity, natural pathos—only serve to indicate the many others missed. Isobel Buchanan, singing out confidently, has been encouraged to play Sophie along lines too angular, maiden aunt rather than younger sister. Jonathan Summers' Albert is heavy; more than a touch of pantomime is risked by the supporting players.

Werther is Colin Davis' first Massenet opera. Clearly, he loves it. All too clearly. There was much sensitively placed orchestral colour, carefully graded texturing—even in these days of Massenet revival we don't often hear his operas so meticulously treated. The effect, in such things as the accompaniment to the Letter Scene, of an almost bar-by-bar underlining, fingering, point-making, was sticky, and lacking in just that kind of style Ibos describes. Sir Colin's first encounters often give off a similarly laboured air, while later ones find the proper flow.

John Copley's staging appears to be developing the rash of intrusive detail such as often ails his "affectionate" stagings on repeated revival. (Why, for example, must the children emit a unison shriek of scornful laughter at the mention of "divin Klopstock?") In the first two acts, the sets created for the Coliseum look well at Covent Garden (the third is cramped). But they, and Massenet's music, imply a less self-conscious manner of behaviour than Mr. Copley now essays.

Frederica von Stade and Jose Carreras

Purcell Room

Elizabeth Brice

by ELIZABETH FORBES

Elizabeth Brice, the gifted young soprano who gave a recital at the Purcell Room on Monday night, appears to have an affinity for the Russian poet Alexander Pushkin. A most sensitive Tatyana in the production of Chaikovsky's *Eugene Onegin* conducted by Rostropovich at Aldeburgh last summer, she sang *The Poet's Echo*, Britten's settings of six poems by Pushkin — which were first performed by Galina Vishnevskaya and Rostropovich some 15 years ago—with deeper understanding and greater interpretative originality than any other of the items in her varied programme.

She is more comfortable, at present, when singing in English — *The Poet's Echo* was given in translation — than in German or Italian. Schumann's *Mignon Lieder*, though filled with genuine emotion, elicited a conventional response, both to Goethe's text and to Schumann's melodic lines. In Rossini's exhilarating *La regata Veneziana*, Miss Brice caught the humour and the irony of Anzoleta's exhortations to the gondolier, but her voice, splendidly full-toned, lacked the necessary edge. In four short, attractive songs by Wolf-Ferrari, it was her Italian enunciation that required a sharper bite.

Walton's settings of three poems by Edith Sitwell could have benefited from crisper articulation too—the boiling kettle did not hiss sufficiently in "Old Sir Faulk" — but "Daphne" turned into a tree quite delightfully, while the ladies twittered with languorous charm "Through gilded trellises."

Wigmore Hall

Philip Fowke

The extrovert piano virtuoso is hardly a British species, but Philip Fowke unquestionably belongs to it. He ran up his colours at the start of his recital yesterday with Bach transcribed by Rakhmaninov, three movements from the E major Partita for solo violin: a big, vital sound, sharply articulate wit, a crisp and rebounding touch, plenty of drive. (Purist objections would be out of place even if Bach hadn't himself transcribed the Prelude for a large, exuberant orchestra in the 29th Cantata.) To give him the right brash label, Mr. Fowke is the genuine article. His unabashed pleasure in this genre of pianism is thoroughly taking, a kind of executive privilege that he has fully earned.

He exercised it again at the latter end of the recital, in an ingenious and tonally resourceful account of Busoni's "Carmen" Fantasy (one of Busoni's oddly assorted "Sonatinas") and in the tireless *rouladerie* of the old Schulz-Evler Arabesques on the "Blue Danube" Waltz. If a touch of final polish might still be wanted, it would be for tightening the beat over long stretches: Fowke sprints with style, but he lets the pulse slip just too often for the maximum cumulative effect of all this wilful brilliance. The Scherzo of Chopin's B-flat minor Sonata slightly misfired for that reason. Machine-gun delivery suits it well enough, but one's weapon mustn't stutter—by allowing himself at least three different tempi for different passages Fowke made it seem a series of detached hurdles (and the clarity of his playing throws tiny finger-faults into relief).

DAVID MURRAY

Old Vic

Heartaches of an English Pussycat

by ANTONY THORNCROFT

This piece has a tortuous history. Originally a Balzac short story "Peines de coeur d'une chatte Anglaise" it was illustrated by the designer Grandville. His drawings caught the imagination of Alfredo Rodriguez Arias who founded the theatrical group TSE, originally in Buenos Aires, later moving it to Paris. Arias saw the possibility of re-creating the animal characters through masks and persuaded the famed Russian designer Doboujinsky to model them. Now this fantasy has arrived in London for a week after great success in France.

It is indeed redolent with French whimsy, part mime, part dance, part acting, part masquerade. It involves the senses rather than the mind. The plot is stereotyped, telling of a pretty white kitten, Beauty, who is married off to an impotent but rich old Tom while her heart is captured by an attractive young stud cat. Treachery ensures the death of her lover but Beauty, in a rich old age, finds comfort in erecting a statue to her Puss-in-Boots. But if the story of money and power over-coming love is a truism of 19th century society the playing by this 12-strong troupe is unique.

The lighting and the drapes create a very Victorian feel and the masks, too, evoke the grimmer illustrated children's books of the period. The identification of actors with animals—foxes and peacocks, crows and butterflies, is complete: humanity only obtrudes in the selfish behaviour of the characters. Unfortunately the dialogue (all in French) gets in the way of the music—Berlioz, of course—and the movement, so the threatening atmosphere of the early scenes is frittered away. You are left just with the skills of the performers, which makes "Heartaches" a treat for lovers of mime and masks and French *fantasie* but something of a strain for realists.

Elizabeth Hall

Netherlands Wind Ensemble

Almost entirely Beethoven rather than "Mainly Beethoven" for the last concert of the Elizabeth Hall's New Year series on Monday evening. The Fidelio Overture, in an arrangement for wind-band by Wenzel Sedlak, necessitates the qualification; transposed from E major to C as well as rescored and substituting some passable passage work for the string figurations of the original. The overture provided the only 19th-century Beethoven of the evening; the rest—the E flat quintet for piano and wind, a Rondino and the Octet with the spurious opus number of 103 — represented the composer at his most youthful and limpidly classical.

The Netherlands Wind Ensemble latterly has dispensed with a conductor. The basic group of eight has a stiffening of Concertgebouw personnel, and the result is a pleasant surprise for anyone used to the faulty ensemble and intonation that seems to characterise too many wind bands nowadays. Tone is entirely homogeneous, phrasing unanimous. The principal oboe, Werner Herbers, must be singled out as an instrumentalist of astonishing control and perceptive approach. The whole evening was a splendid advertisement for the virtues of the self-managed collective, but the want of a conductor was felt occasionally; in the overture, which could have acquired more obvious dramatic intent, and in slow movements in general, where there was a suspicion that tempi were selected to indulge luscious phrasing.

Joseph Kalichstein joined the Ensemble for the piano quintet. A mis-entry in the finale and some studied unison passages in the opening Grave suggested too little rehearsal time, but Kalichstein was intent on proving that the piece was *echt* Beethoven, despite its Mozartian model. The first-movement development was galvanised with thundering triplet runs and semitonal shifts, and the Andante was self-consciously expressive, jarring against the unadorned directness of the wind's approach.

ANDREW CLEMENTS

Television

Faraway places

by CHRIS DUNKLEY

Question: what is the connection between a Japanese pencil-making sub-contractor, a party of African ivory poachers, a man jumping over an Indonesian megalith, and the Russian version of Anna Ford?

Answer: each has been featured in the past couple of weeks in series which have sought to convey deeper understanding of the ways of life in other countries.

Taken together they seem to represent a heartening advance from the position described in this column several years ago when television appeared to be willing to gear its foreign coverage almost entirely to news events: the only time you were likely to hear a word about Indonesia was when a volcano happened to erupt; some aspect of everyday life in Japan might be mentioned if there was a business scandal involving government ministers, and so on.

The use of the cautious "seemed to" and "appeared to" are necessary in this context, as so often when considering television in the long term, because there is no way of actually "proving" the existence of these sea changes in broadcasting. If you suggest that the BBC, despite the continuing production of some excellent programmes, is nevertheless slowly altering the balance of its output in favour of the less demanding, somebody will certainly disagree and produce a list of old trivial programmes and new serious ones in an effort to "prove" you wrong.

But short of assessing every single programme on some universally accepted scale (itself an impossibility) and drawing up a balance sheet, such attempted "proofs" are pointless. Hence, "seems," and it does seem to me that there is now considerably more material on television than there was, say, five years ago of a sort which seeks to show the British viewer how other societies work, what the people look like and what they do, what they enjoy and endure, and what they believe — a function which television is wonderfully well suited to fulfil.

There are three broad levels on which this sort of work is undertaken. First, television news programmes continue to employ "visiting firemen" (particularly ITN which does not have as many resident foreign correspondents as the BBC) to report from the latest trouble spot or royal tour. Their work, sometimes dangerous, has its own particular value and one would not wish television to do without them, though they do seem to have achieved disappointingly little in Afghanistan where their equipment, presumably, has put them at a disadvantage to newspapermen whose reporting has been much more detailed and informative. But in any case, by the nature of the job, their contribution to the exploration of differences and similarities between life styles is marginal.

Next come the magazine programmes which frequently go abroad and in some instances supply little more than extended versions of the visiting firemen's reports though in other cases they may provide a close and deep study of one small aspect of a society: *Panorama*, *World In Action* and *TV Eye* are obvious examples.

Last week both *Panorama* and *World In Action* reported on Kampuchea and one wished, as at the time of John Pilger's notorious programme, that television had somehow managed to supply us with better coverage of this society *before* it became "newsworthy" by being torn apart so viciously by Pol Pot and his madmen. (One also wished that those television reporters and charity organisers who refer habitually to "these beautiful gentle people" would explain what nationality they imagine Pol Pot and his followers to be.)

Of all the news magazine series Peter Ibbotson's *Newsweek* tends to take the longest and deepest view and to get closest to the sort of analysis of societies which I am referring to. Last week David Jessel reported on the American system of selecting presidential candidates and although there was something of a mis-match between example and conclusion (we were shown razzmatazz and shallowness but then assured the system makes for serious questions and serious answers) the programme did bring out the practicalities of that particular part of American life. But even the excellent *Newsweek* is concerned with topicality and will no doubt be looking at some other facet of some other society tomorrow, as indeed it should be.

However, not all magazine programmes are concerned with newsworthy events. Indeed it is often those that aren't which probe more deeply into other societies. Last week's *World About Us* for instance reported from Malaya on the work of the "bomohs" who seem to combine the functions of psychiatrist, impresario and witch-doctor. It had one of those irritating scripts pretending to accept the beliefs it observed. (Thus "They know that there are supernatural ways of increasing the fertility of the seas" instead of "They believe. . .")

But it threw interesting light on the matter of a woman's role in another society and anxiety about that role.

From almost exactly the opposite side of the globe William Nicholson's outstanding *Everyman* series, which is concerned broadly with religion, brought an admirably sceptical—almost sardonic — report by David Thompson about the effect of Christian evangelism on Brazilian Indians called "*We're Not Savages — We're People.*" Explicitly or tacitly it raised a host of questions about how you decide what makes one culture "better" than another, and implicitly it gave some pretty clear answers.

But it is at the third level when television undertakes an entire series devoted to the study of one area that it gets nearest to conveying a true appreciation of other societies. *Inside Japan* is the 15-part BBC1 series which showed us the sub-contractor with the pencil machine in his back room in Part 2. *Newsround Africa* was a five-part special from John Craven's *Newsround* in which Craven got impressively close to the poachers' bullets—among other things. *Spirit of Asia* is an eight-part series which showed megalith leaping in its opening episode. And *Russian Language and People* is the unluckily timed 20-part series which combines basic language lessons with an introduction to the country and the people and features Russian news reader Tatyana Vedeneeva.

Predictably and quite respectably these series vary in approach and in effectiveness, though it is worth noting that they are all BBC programmes. That is neither surprising nor shaming for ITV: the BBC has two channels to ITV's one, and there is no reason why ITV should expect or be expected to match the BBC knock for knock, as it were, in such areas of minority interest. (It is also noteworthy, incidentally, that the Japanese and Russian series are both from BBC's invaluable Continuing Education Department which, we should all pray, must never move any further towards the demotic than it has with the Russian series).

In the past there have been complaints that television has tended to highlight the worst aspects of the free world precisely because access and comment is free there, and—owing to its perpetual need for pictures—has failed to indicate the far worse condition of those in totalitarian societies. Inevitably, perhaps, *Russian — Language and People* does very little to invalidate that criticism. Yet even two programmes have conveyed a remarkable amount about the basic structure of the USSR and there must surely be much to learn from the 18 to come even if they do answer the rhetorical question "What does Siberia make you think of?" with "Frozen wastes" rather than "Labour camps."

There is more validity in the objection that television is still seduced and besotted by the exotic: Bali, the Amazon, Kampuchea and Africa are a lot more remote and romantic than Belgium and France—neighbouring countries about which the British are still shockingly ignorant.

Perhaps their turn will come. Meanwhile there is much to be learned and wondered at in *Spirit of Asia* about the universal nature of man's needs and wants, and much to be gazed at for its sheer beauty. And although *Inside Japan*, the most revealing of all these series, is proving to those of us who have never been there that the country is even more startlingly "foreign" than might have been imagined, it is also showing the irrelevance of even the deepest cultural differences when it comes to man's need for food, shelter, sleep, companionship and so on.

"Showing" is the vital word: television can show where other mass media only *tell*, and in the field of human understanding they have exploited the advantage all too little in the past.

A Balinese dancer in "Spirit of Asia"

Hampstead Theatre

The Club

by MICHAEL COVENEY

The Nimrod Theatre of Sydney is Australia's combined equivalent of the Royal Court and Hampstead Theatre. Their imported production of David Williamson's 1977 comedy is dead right for Hampstead and that, I am afraid, is about it. The last sporting play at Hampstead was unwisely transferred to a Shaftesbury Avenue cavern. This one is better but no more, as they say, commercially viable.

In the circumstances it is a pretty good, schematically organised piece about boardroom shenanigans in an Australian Football Club. But it does not demonstrate any great advance by Mr. Williamson, whose blend of suburban jaundice, sharp dialogue and anti-macho satire is already familiar. One yearns, in fact, for his talent to strike out in new directions.

As it stands, we have six characters all obviously differentiated by status and talent and all playing off against each other in the shadow of a crucial committee meeting. It is the play's major weakness that it dies gracefully away before anything can be decided at that meeting. There is no growth. Just a steady accumulation of laughter as points are scored and a gradual decline as the situation is weakly resolved.

The struggle for power involves a half-drunk President who never kicked a ball in his life but has not missed a game; a smooth administrator with no loyalty to the club and an interest in dumping the President lately smeared on a dubious assault charge in a strip club; two weakly contrasted players, one a militant club loyalist, the other an overpaid superstar hitting the drugs; an ex-player, ex-coach hitting his wife but, for present purposes, sporting a green blazer and hypocritical devotion to the old boy gallery round the club room.

Finally, in the middle of all the booze and the backchat, is the coach. At first he sounds like a Don Revie type who has resigned in the Press but not in the boardroom. But he, Don will be delighted to hear, is the good guy. The bloke with standards, even though, unlike Don, I hasten to add, he has never won anything. These sorts of passages — and there are several — are had to stomach. The kick-back on the star's claim to incest and developing oedipal complications is impossible to believe except as a way of resolving the play.

I really cannot understand why the admirable Nimrod has come so far with so little. Among the actors, I liked best Barry Lovett as a distinctly doomed looking President and Ron Haddrick as the ex-star. Mr. Haddrick getting simultaneously stoned and drunk as he listens to the star's tale of domestic free love is a real delight.

The basically funny idea of people crossing each other behind closed doors is good for half an hour but subsequently over-worked. The director is John Bell.

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The iceberg surfaces

THE SHARP rise in unemployment reported yesterday is no less unpleasant for being long expected. On present evidence it is the start of a strong trend with little alleviation in sight. Unemployment may well re-emerge as a major political and trade union issue. It is therefore important to discover the causes of the rise, and to identify possible long-term cures—a need which has inspired a thoughtful paper from the CBI staff, published just ahead of the figures. Failing proper analysis, there will be a temptation to revive old "remedies" which have not only failed to offer more than a temporary palliative, but made the real problem worse.

Squeeze

The easy charge, which will be heard frequently in the coming months, is that the unemployed are the victims of the Government's economic policy. In a very limited sense—the sense in which a loud noise can set off an avalanche—the charge is true. The Government's determined monetary policy, against a high and possibly rising rate of wage and price inflation — and prices partly reflect the Government's fiscal policies — is imposing an intense financial squeeze on industry. This was already becoming evident in the third quarter of last year, as figures published on Monday showed, and since then there has been a sharp rise in interest rates and a hardening of the exchange rate.

British industry has traditionally concealed much potential unemployment through labour hoarding (skilled labour is still scarce) and through permitting persistent overmanning. This concealed unemployment, which has been studied for some years by labour economists, usually becomes partly apparent in a recession. It is one of the unpleasant realities about our underproductive economy which is usually brushed under the rug.

Deep-seated

The evidence that this is the main cause of rising unemployment remains somewhat tentative at this stage. There is a small rise in redundancies, and a more significant fall in job turnover and in unfilled vacancies, as employers seek the more humane method of non-replacement to reduce their manning scales. However, the proposed redundancies in Leyland, British Steel and a growing list of private sector companies makes the trend unmistakably clear.

It is surely unnecessary to present yet another diagnosis of the British disease to show that the causes of this unhappy state of affairs are deep-seated. What is too easily forgotten, however, is the corollary; that deep-seated social ills cannot be cured quickly. The CBI study documents the sad story of unproductive work and unproductive investment in Britain. What is important is its reminder that "cures" which raise costs will actually make the disease worse.

The need is to create new jobs rather than to protect old ones; and if the present figures mean that British industry has at last been squeezed into a serious quest for efficiency, then we will have a base on which to build. A rise in unemployment, in short, may be the necessary preliminary to a long-term fall.

However, this is not a problem which can simply be left to the unaided market. As the CBI paper points out, there is still a shortage of skilled workers, and it is hard to persuade even the unskilled to work unsocial hours. This suggests that a programme of measures, stretching from education and training to housing, may be needed to make the labour market more responsive, and that managements as well as trade unions may have to re-examine existing work practices. The Government could help by showing that it recognises further education and training—investment in employable manpower—as a necessary form of spending.

Painful change

It is also possible, as the CBI paper concedes, that a reduction in the working year or in the working lifetime is a reasonable response to our situation, provided that it does not undermine our competitiveness. Higher productivity has consistently yielded shorter hours and longer holidays over the decades, and a cautious approach, probably following an EEC lead, must not be ruled out. A more flexible approach to retirement, and a greater readiness to support relevant adult training and education, would also help. But there is no policy to produce quick relief; the ugly face we begin to see in the mirror can only be restored to health by a slow and painful change in our way of life.

Iran needs its oil revenues

IRAN IS now faced with the likelihood of economic sanctions from the United States, with at least verbal backing from its Western allies. The Iranian authorities have threatened to retaliate by cutting oil production by half.

Such a move, if it is sustained, could have a serious affect on oil prices world wide. But the threat should not be taken too seriously. Iran's economy is in such a state that it cannot afford to take such action.

A cutback in production to some 1.5m barrels a day, as Mr. Ali Akbar Moinfar the Oil Minister warned last week, would leave only a small amount of crude oil available for export once Iran's considerable domestice needs had been taken care of. All the major Western oil companies have already had their offtake from Iran either reduced to minimal levels. In the case of the American companies, they have been halted entirely.

Dried up

In the past Iran could have cut back oil production with impunity and relied for many months on credit from abroad and the drawing down of healthy foreign exchange and gold reserves. Today, neither of these sources can be used to any significant extent. Public and private loans to Iran have virtually dried up and formal agreement on banning them is under discussion among Western officials.

Behind the declarations of support for the U.S. from West European leaders, notably Mrs. Margaret Thatcher and Chancellor Helmut Schmidt, there is evidence of considerable reluctance to take part in sanctions against Iran.

In practice the events in Afghanistan may be used as a convenient smokescreen to declare that maintaining the integrity of Iran takes a higher priority, and quietly to drop a policy which few were happy with in the first place. New Zealand under Prime Minister Robert Muldoon has become the first of the western allies to openly disavow the policy.

The Iranian are already finding it difficult to conduct any non-oil foreign trade. Problems in all the service areas—shipping, banking and insurance—are growing as a result of the international strains surrounding Iran. Foreign companies as a whole are staying well clear.

By the admission of the Iranian authorities, the domestic economy is in difficult straits. Any voluntary reduction in oil output—as opposed to the technical problems still believed to be plaguing the oilfields—would only exacerbate the problem. Unemployment, with up to a quarter of the labour force out of work, is the biggest headache.

To a far greater extent than was ever the case under the Shah this once thriving economy is being kept going by the injection of large and regular doses of oil income. The ruling clergy have been too pre-occupied with politics to do more than buy off the economic woes with temporary expedients.

If, as expected, Mr. Abol Hassan Bani-Sadr becomes the Islamic Republic's first President after next Friday's elections, the economy will assume much more importance. Presently serving as Finance Minister, Mr. Bani-Sadr is the architect of a novel approach to economics which combines nationalism with Third World radicalism and a strong dash of Koranic principles. Under his directions Iran has already nationalised much of the country's manufacturing industry and most of the service sector.

Demand

As grand schemes for economic self-sufficiency get off the drawing board Iran is, once again, going to need as much money as it can earn from oil. To stay in power once the present distractions are out of the way Ayatollah Khomeini will also need to satisfy the pent-up demands of 35m people used to better standards of living than their neighbours.

To cut back oil production much below its present level would be a hollow threat—a factor that should be taken into account when the U.S. and its allies consider what steps should be taken next in seeking a way out of the present impasse.

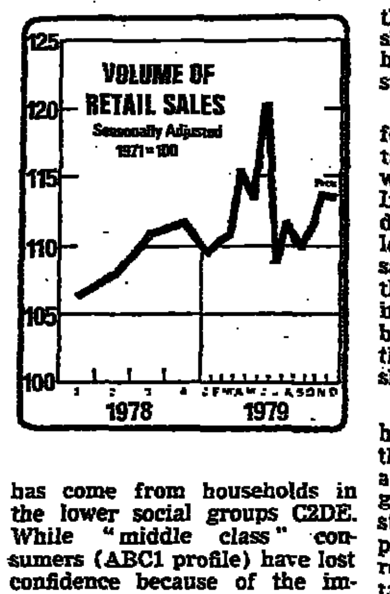
Tough times in the retail trade

BY DAVID CHURCHILL, Consumer Affairs Correspondent

THE GROWING High Street price war among Britain's retailers may be good news for the consumer but is a harsh reality for the trade in the first few months of the new decade.

Although a last-minute surge in spending before Christmas enabled retailers to avoid the disasters that had seemed all too likely at one stage, the reprieve has done little for their optimism.

This is true in spite of the better-than-expected clearance sales of some shops and stores in the first few weeks of January. The John Lewis Partnership, for example, reported sales almost 25 per cent up on the corresponding week last year; Rumbelows electrical appliances chain had sales about 30 per cent up; and some Co-operative retail societies had a 40 per cent increase. Although comparisons with last year's sales are complicated by poor weather and industrial disputes last January, there seems little doubt that the worse-than-anticipated level of last Christmas's spending has forced retailers to offer bargain-basement prices in order to shift stocks.



Credit card realities

Already there are signs that the mini-boom at the bargain sales is beginning to slow down and, if this continues, then the possibility of the January sales becoming the February, March—or even April—sales remains.

Much of the retailers' pessimism over consumer spending during the next few months comes from concern about the impact on consumer confidence of rising inflation and increased mortgage and overdraft repayments. Shoppers who financed pre-Budget and pre-Christmas spending on credit cards now have to face the reality of steep interest charges.

The impact on consumer confidence is illustrated by the latest Financial Times survey of the subject published earlier this week. The January "index" shows that some 53 per cent of the 1,000 consumers questioned expected conditions to worsen, while only 12 per cent thought they would improve—giving a negative balance of 41.

Even more disturbing is that the six-monthly "index," which reflects the trend rather than just one month's figures, is now at minus 36 per cent—the lowest figure ever in the 10-year history of the survey.

What has emerged, however, from the retailing pattern in December and so far this month is that most of the surge in sales has come from households in the lower social groups C2DE. While "middle class" consumers (ABC1 profile) have lost confidence because of the impact of rising interest rates on fixed loan commitments, the working-class shopper—without the same vulnerability to high interest rates—has been more willing to spend now and worry later. This philosophy has also been helped by the fact that manual workers have secured some of the largest pay awards in the current wage round.

Thus while the bastions of the middle-classes—the department stores—were experiencing a fairly bleak Christmas, more down-market chain stores such as British Home Stores or Littlewoods achieved record takings. Mail order companies also reported exceptionally high demand in the last quarter of 1979.

All this, however, still only left retail sales volume in December broadly the same as the previous month and comparable to December 1978, according to the provisional estimates issued last week by the Department of Trade.

This lack of volume growth came as a surprise to the trade which believed the late 1979 spending spree would be enough to boost sales volume. Some retailers were left with higher-than-expected stock levels which resulted in the sharp price cuts after Christmas in an attempt to shift stocks before the bargain sales ran out of steam.

(Clothing and footwear retailers were a special case in the pre-Christmas sales pattern, as a combination of warm weather and fashion fickleness forced them to embark on the unprecedented step of clearance sales before Christmas.)

Whether the bargain sales eventually turn into a full-scale price-cutting war depends largely on two factors: how far retailers have overstocked and the depth of the consumer spending slump in the immediate future.

Retailers are reluctant to spell out stock levels, either because of embarrassment at their misjudgment or fear of giving information to their competitors. Their problem is that stock forecasts during the past year were thrown so out of balance by sharp swings in demand that it has been difficult to anticipate stock needs accurately.

In the first quarter of 1979, for example, demand was curtailed by a combination of cold weather and transport strikes. In the second quarter, pent-up demand and pre-Budget frenzy led to an exceptional surge in sales. Demand again fell in the third quarter of the year—clothing sales in particular were hit by mild autumn weather—while the October tax rebates gave a slight boost to the final quarter.

Retailers fortunate enough to have short ordering cycles for their products (some electrical appliances are into this category) have been able to readjust stock needs to the changing sales pattern. Where possible, most retailers decided last autumn to take a fairly pessimistic view of the first quarter of this year and to cut back stock orders accordingly.

However, much of the retail trade — especially the big multiple chains with turnovers running into hundreds of millions of pounds — has to take most buying decisions at least a year in advance. These decisions have been thrown off course by the fluctuating sales patterns of last year and current demand uncertainties.

Rising interest rates add to the nervousness of retailers with hard-to-shift stocks on their shelves. Their aggressiveness will also be affected by how they view the outlook for spending and how hard they think they must fight for a share of a static market.

Retailers are no better (or no worse) than Treasury officials, City analysts, or economists in forecasting the likely level of consumer spending. Opinions, not surprisingly, differ as widely within the trade as outside the further ahead forecasts are made. One school of thought is that the next six months will be pretty grim for consumer spending but that it will then pick up again later in the year in real terms as inflation is checked and interest rates fall. Another view is that the large pay awards still being made will boost spending now but that demand will fall as real incomes are hit as prices catch up with wages.

Pessimistic option

Many retailers, it would seem, lean towards the more pessimistic short-term view, although Mr. Richard Weir, director of the Retail Consortium, points out that retailers might be feeling slightly more pessimistic than necessary. "It could be that with the level of wage settlements now being reached, the outlook for demand in the short-term is not so pessimistic," he says. "Retailers will also be concerned at the specific level of demand for their goods, rather than just the overall level of consumer spending."

Retailers' reaction to the level of stocks held and the likely course of consumer demand will also be affected by likely cost increases. The main pressure in the labour-intensive retail trade is the cost of labour. Pay awards have already exceeded 15 per cent in the current round. Inevitably, retailers will be forced to prune staff—mainly by natural wastage and cutting part-time employees.

Other cost pressures include higher rents, rates, interest charges, and fuel bills. Higher petrol prices will also raise the costs of distribution.

In the short term retailers will be determined to ensure that their volume sales are maintained, and even increased, to enable them more easily to absorb these rises in costs.

The three elements (stock levels, consumer demand, and rising costs) seem likely to encourage non-food retailers to embark on the sort of fierce price competition that food retailing has experienced during the past two years. The competition, however, will be as much about retailers' price image as their actual price levels. In the grocery market, for example, both Tesco and J. Sainsbury have captured significant market shares with their price-cutting campaigns — yet neither is the cheapest grocery retailer. According to trade figures, the Asda superstores group has consistently offered the lowest prices in the grocery sector.

Last autumn Marks and Spencer grabbed the headlines with its £11m package of price cuts. Marks has not only achieved a new edge of price competition to its well-established reputation for quality but also took the decisive step of cutting prices and shifting its clothing stocks at a time when other clothing retailers were still wondering what had hit them.

The importance of being seen to offer low prices (as well as just offering them) was apparently behind the move last week by the Argos discount stores to offer its first price-cutting January "sale." Argos, like other discount stores such as Comet and Trident, is able consistently to offer low prices by cutting its profit margins and boosting sales volume; but it has now decided to embark on a more aggressive strategy. "Argos has no intention of meekly sitting back and permitting the tide of gloomy economic forecasts to lap over us," says Mr. Tom McAuliffe, Argos' joint managing director.

Other major retailers are expected to follow suit, maximising the publicity advantages of the price cuts on offer. Retailers are already among the largest advertisers in the country—Boots, the chemist, spends more on Press and television advertising than any other company—and a promotional price war would boost an advertising industry increasingly worried by a likely economic recession.

Attempts at price promotions similar to those in the grocery trade would, however, be unlikely to have the same impact as the Tesco or Sainsbury campaigns. Competition between non-food stores covering a broader range of goods is not as easily identified for the shopper as competition between supermarkets.

Hugh Routledge
The first day of Debenhams' sale at the end of last month.

High stock bargains

In particular sectors, however, bargains will exist, especially if manufacturers are as anxious as retailers to shift stocks: particular sectors include clothing and footwear, furniture and consumer durables such as freezers and colour televisions. In spite of the colder weather and extensive price-cutting, there are still substantial stocks of clothes and footwear which retailers and manufacturers are keen to sell before spring ranges are introduced. Furniture manufacturers also have comparatively high stocks, and consumer durable manufacturers are being forced to off-load stocks to retailers at reduced trade prices because of over-stocking following the frantic pre-Budget buying last summer.

While shopping around will be of considerable benefit to the consumer over the next few months, longer-term implications are more subtle. Over the past two decades the consistent trend in retailing has been the inexorable growth of the multiple stores at the expense of the small independent retailers.

In 1961, for example, the independents had a 53.9 per cent share of total retail sales, compared to the multiples' 27.5 per cent. By 1976 the independents' superiority had narrowed to a 43.2 per cent to 40.1 per cent lead. But, by 1978, the multiples had overtaken the independents with 42.2 per cent of trade compared to 41 per cent.

The acceleration in this trend over the latter half of the 1970s has largely been due to the multiples' ability to draw trade away from the independents by price-cutting. A higher volume of operation also enables them more easily to absorb cost rises by increasing productivity.

If High Street price competition intensifies over the next few months, it will further accelerate the growth of the multiple stores. While this may be of benefit to the consumer in the short-term, it will inevitably lead to increased structural concentration in retailing and could lead to a lessening of competition. Consumers may have fewer shops and ranges of goods from which to choose, while manufacturers will increasingly be forced to offer large discounts to retailers to secure orders. The Monopolies and Mergers Commission is due to report later this year on the whole issue of discounts to retailers, and could recommend restrictive regulations on the lines of U.S. legislation.

Whatever the likelihood of Government intervention in retailing in the 1980s—and many believe it unlikely to happen—there is little doubt of the tougher trading ahead, with the possibility of some famous High Street names disappearing from view.

MEN AND MATTERS

Paddy creates a new job—his own

"From every point of view, we," says Paddy Naylor, chief executive of British Steel (Industry), "are the goodies." During his three-year stint running the beefed-up job-creating offshoot of British Steel, Naylor admits he has enjoyed having everyone, from prime ministers to managers to unions, on his side. Even the board of his company, with Sir Charles Villiers at its head, includes union boss Bill Sirs.

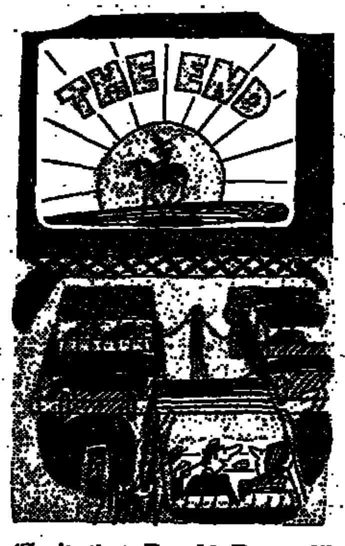
BSC (Industry) is still busy adding to its lean and overworked staff of 40. "Plant closes in Corby; you set up an office with a couple of fellows and a couple of girls—so you need an extra man here in London," says Naylor simply.

One of those rare intellectuals in commercial life—(he studied philosophy at Cambridge and writes novels in his spare time)—he has resisted various inducements to extend his contract at BSC (Industry). He has an infectious enthusiasm for the task he has been performing, but says: "I'm not a natural employee." He is leaving to set up his own company, Job Creation, which will do similar work on a commercial basis—business advice, political contacts, guided tours of the labyrinthine government and EEC subsidy systems, above all "making things happen"—his favourite phrase.

The potential, he feels, is enormous throughout the western world, and not merely in the declining steel towns. "You can no longer decimate a community and walk away from it," he says. "Even our Conservative government recognises that you have to deal with the consequences of industrial change."

Starting with four "nice" men, BSC (Industry) has become a thoroughly professional organisation. Budgeting—claims Naylor—a mere £1,000 for each firm job commitment, it has seen 3,000 jobs created in his first year, well over 5,000 in the second, and during the coming year the target is 10,000. This on a budget of £1m a year for staff and extensive advertising, and £10m for the acquisition of land and other expenses connected with industrial projects. "We never," says Naylor, "give away money. The £10m is creating assets."

Prepared to talk to anyone, large or small, Naylor—formerly a co-director of Bovis with Sir Keith Joseph—has been surprised by just how many punters there are: "No one will ever believe this, but two months' advertising will bring in over 2,000 inquiries. Aat any one time we are dealing with between 300 and 400 projects."



"Isn't that Ronald Reagan?"

Games of chance

Journalists, by the nature of their profession and the contents of their wallets, are not much given to gambling. But the members of the Foreign Press Club in Mexico City who turned up at the first meeting of the year cast caution aside to take part in a "lottery" organised by their new president, Vladimir Travkin, the Russian Novesti Agency correspondent.

The prizes—trips to the Moscow Olympics at the bargain price of $400 instead of the full rate of $1,600 for a week's junket—were not, after all, to be sniffed at. Since 20 were on offer, the club members, around 75 in total, felt they were on to a fair bet.

he odds improved dramatically, however, on the evening of the great even when Travkin, ladling goodwill from a vodka bottle and introducing his friends from Intourist and Aeroflot, announced that the number of prizes to be "won" had been increased to 25—precisely the tally of journalists present.

The emotional band of winners had scarcely had time to congratulate themselves on their perspicacity when the circulating Intourist agents let it be known that if any of the 50-odd members who stayed away would care to get in touch, "ways would be found" for them to be awarded consolation prizes — week-long visits to the Olympics for $400.

Men for the job?

The Arab-British Chamber of Commerce now boasts three prestigious new names on its board, Lord Chelwood (better known as the former Sir Tufton Beamish), Sir Harold Beeley, and Sir Richard Beaumont. Their appointment follows a policy meeting in Kuwait, and appears to be preparing the ground for another major switch coming up in March.

I understand that in line with chamber policy around the world, chairmanship of the British board will pass for the first time to a British national. Would-be publishing magnate Mahdi Tajir, ambassador for the United Arab Emirates, quit the post in December because of pressure of work. He is to be made honorary president.

Although the 15 other British people on the 36-man board cannot be left out of the betting, I would wager that one of the newcomers will take the chairmanship.

Sir Harold must be a front-runner on his record, with service as an ambassador in Saudi Arabia and two tours in the Cairo Embassy. Sir Richard, another ex-ambassador in the Arab world, has in his favour a sturdy record in promoting British trade with the Middle East.

Despite being a holder of the Order of the Cedar, Lebanon, Lord Chelwood, chairman of J. Compton, Sons and Webb (Holdings) and a director of Advance Laundries, must, I fear, rank among the outsiders against such competition.

Fit to bust

In Israel, I hear, the sound of squeaking pips has reached ear-splitting levels. While Finance Minister Yigal Hurwit declares himself "encouraged" that inflation last month was relatively modest 8.1 per ce —bringing the increase in cost of living for the year to record 111.4 per cent—industrialists are close to despair.

The cost of borrowing, the Israeli Manufacturers' Association reveals, can be as high as 233 per cent a year when compound interest, "loan allocation" fees, levies on cheques and sundry other charges are applied.

Desperate remedy

Shadow Chancellor Denis Healey, has arrived at a distinctly quirky argument for a return to pay policy. Speaking to a union meeting yesterday he compared it to "jumping out of a second-storey window—you only do it if the stairs are on fire. Trouble is," continued the careworn ex-Chancellor, "the stairs are always on fire."

Observer

Foreign policy challenge to Bonn

BY JONATHAN CARR, Bonn Correspondent

HERR HELMUT SCHMIDT, the West German Chancellor, faces the greatest challenge to his reputation in his nearly six years of office: events in Iran and Afghanistan, which have increased east-west tension and are potentially divisive within the western alliance, threaten to undermine key elements of West German foreign policy.

Simultaneously, the new rise of oil prices implies a still tougher battle against inflation, coupled with a further threat to German export trade. Like President Jimmy Carter, Herr Schmidt faces a general election this year—with political opponents willing and able to pounce on any weakness.

The Soviet intervention in Afghanistan brought a reaction of almost frenzied activity both in the Bonn Government and among members of the ruling Social Democrat (SPD) and liberal Free Democrat (FDP) parties. While Herr Schmidt conferred by telephone with President Carter and in person with President Valery Giscard d' Estaing of France, the SPD's defence expert and its party secretary held talks separately in the U.S. on the implications for disarmament and detente.

Count Otto Lambsdorff, the Economics Minister, toured the Middle East Gulf states seeking to discover what was now expected in the region both from the Federal Republic and the European community (a tour arranged much earlier but whose aim quickly became more immediate).

The Foreign Minister, Herr Hans Dietrich Genscher, made very clear Bonn's response in the United Nations, and in the councils both of NATO and the European Community. The West German ambassador in Moscow was recalled to report on the background to the Soviet action — and stressed, among other things, that there was no firm evidence to suggest that President Leonid Brezhnev had been outvoted by other Politburo members over the Afghanistan intervention. This judgment was supported by the West German intelligence service.

The aims of all this activity were threefold: to support the U.S. in its efforts to gain the release of the hostages held in Tehran in an ever more dangerous and complex situation; to help organise a concerted western response which would turn the Soviet military action into a political defeat in the Middle East and Third World; and to preserve what was possible of detente in Europe.

High stakes

Herr Schmidt has often been called upon to balance apparently conflicting interests, but never have the stakes seemed so high. Strong support for every element of U.S. policy in the crisis would not only freeze Bonn's relations with Moscow, with serious implications both for Berlin and relations with East Germany. It would also put Bonn out of step with Paris, which has reacted with marked reserve to U.S. exhortations, and whose support West Germany badly wants if joint European action is to emerge. It is characteristic of the German dilemma that Bonn is unhappy about attempts to boycott the Moscow Olympics but would concur if its allies were to agree on such a move.

On the other hand, excessive reserve towards Washington would bring charges that West Germany, the strongest European military and economic power, was at best "pussy-footing," at worst placing its Ostpolitik above the western alliance.

The Bonn opposition, led by the redoubtable Herr Franz Josef Strauss, has so far been relatively cautious in pressing the attack—and has welcomed the chance to sit down with Herr Schmidt tomorrow to discuss the situation. But few doubt that if Herr Schmidt fails to maintain the delicate balance of foreign policy Herr Strauss—who is the opposition's candidate to become Chancellor—will take the fullest possible advantage.

Herr Schmidt has already said that he plans to go ahead with meetings arranged in principle late last year both with Mr. Brezhnev and with the East German leader, Herr Erich Honecker. But no date has been set for either. If East-West relations deteriorate to the point where Moscow declines to set a date at all, then the way will be open for Herr Strauss to launch a further assault on what he feels to be the "illusions of Ostpolitik" pursued by the present coalition.

This in itself would not destroy Herr Schmidt's election prospects—but it would make him more vulnerable at a time of economic difficulties. The oil import bill which in 1978 was roughly equivalent to 2 per cent of the Gross National Product will this year reach more than 4 per cent. Simultaneously, for the first time for years, some trade unions have put in percentage wage claims in double figures. Experience suggests that final settlements will none the less be reasonable—but even in West Germany that cannot be taken wholly for granted.

Bonn has shown little enthusiasm for economic and financial sanctions against the Soviet Union and Iran—though it is prepared to subscribe to virtually all the measures so far outlined by the U.S. As regards Moscow, this broadly means agreeing with other European nations not to fill the gap in grain and high technology left by the U.S. embargo. For Bonn that is relatively easy since its trade with the Soviet Union hardly involves either.

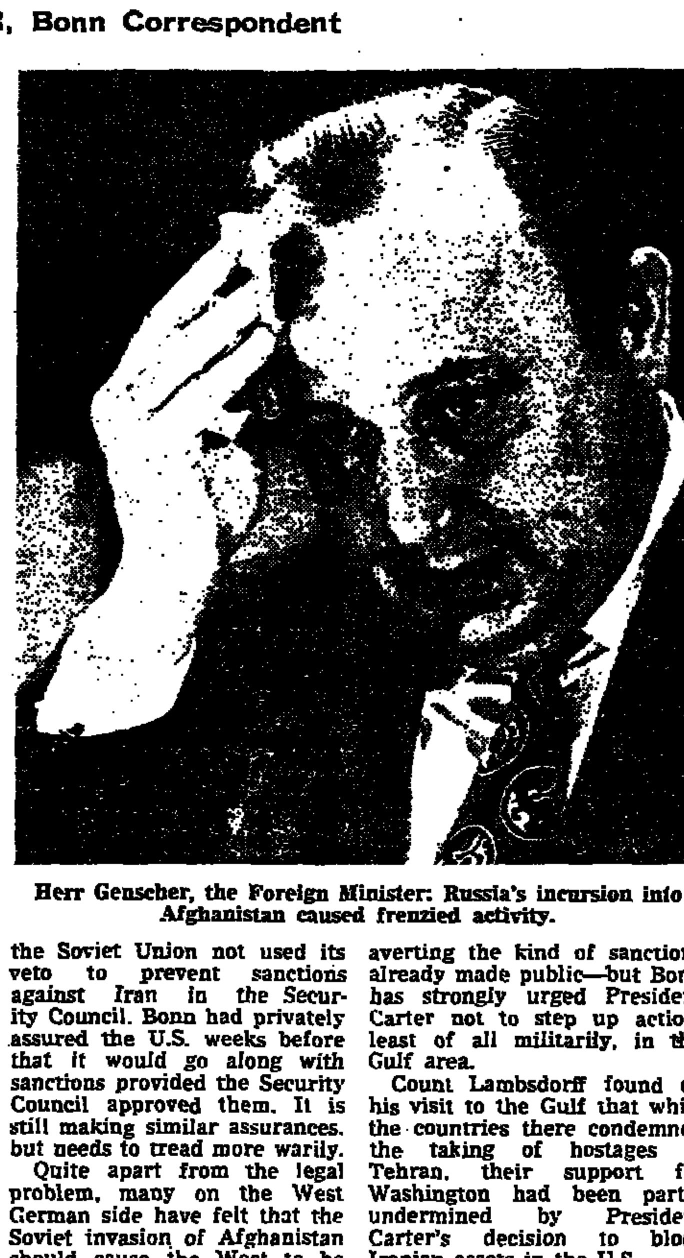
The squeeze would come if Washington were to seek wider embargo measures. In 1978 West Germany exported goods worth DM6.3bn to the Soviet Union—and goods worth about four times that amount to all the state trading (Communist) nations, most of which would quickly become involved if a broader embargo were agreed by the West.

West Germany obtains much enriched uranium and several key raw materials from the Soviet Union. Moscow last year delivered 3.6m tonnes of oil to the Federal Republic and supplied some 16 per cent of its natural gas needs. A cut or block in Soviet deliveries, in reprisal against a western embargo, would exacerbate an already difficult energy situation in the Federal Republic.

At least as worrying in another context would be a decision by the eastern Europeans to stop servicing their debts in the West, estimated at more than $50bn. The Germans do no expect that—but do see it as very much in their own and the general western interest to prevent an escalation of embargoes in which both sides have weapons.

The problems with sanctions against Iran are of another kind. Under West German law covering foreign economic relations, the Government has wide powers to impose a trade embargo—broadly speaking if it believes it to be in the national interest. The kind of financial measures urged by the U.S. against Iran do not clearly fall within the provisions of this law—and German commercial banks are reluctant to manoeuvre themselves into a position of doubtful legality.

The Bonn Government's efforts to obtain the support of the banking community would have been much simplified had the Soviet Union not used its veto to prevent sanctions against Iran in the Security Council. Bonn had privately assured the U.S. weeks before that it would go along with sanctions provided the Security Council approved them. It is still making similar assurances, but needs to tread more warily.



Herr Genscher, the Foreign Minister: Russia's incursion into Afghanistan caused frenzied activity.

Quite apart from the legal problem, many on the West German side have felt that the Soviet invasion of Afghanistan should cause the West to be even more cautious about reprisals against Iran. There seems to be little chance of averting the kind of sanctions already made public—but Bonn has strongly urged President Carter not to step up action, least of all militarily, in the Gulf area.

Count Lambsdorff found on his visit to the Gulf that while the countries there condemned the taking of hostages in Tehran, their support for Washington had been partly undermined by President Carter's decision to block Iranian assets in the U.S.

There is a more fundamental matter which is at the heart of current West German diplomatic efforts. The Government believes that after Afghanistan there is a greater chance than ever before for the West to wrest the initiative from the Soviet Union and its allies in the developing world. It feels encouraged in this view by the big majority in the UN General Assembly condemning the Soviet action. And it feels that Europe has a distinctive role to play—and special benefits to gain—as an area with no great power axe to grind.

Hence, in particular, Herr Genscher's initiative in the European Community for a formal accord with the Gulf and other Middle East states along the lines of that already existing between the EEC and the states of the Association of South East Asian Nations (ASEAN). In both cases the aim would be the same—intensified European trade, aid and political contacts with an area which is co-operating to preserve its independence against a Communist threat. It almost goes without saying that the West German and European interest in secure oil supplies from a stable region loom heavily behind this idea.

Not publicly discussed so far, but also important, is the feeling in Bonn that the Europeans might be able to come to an agreement on burden-sharing, even in the military field, in the Middle East. West Germany is determined not to send its forces beyond the NATO region and is, indeed, forbidden by the constitution to do so. But there is nothing to prevent Bonn's taking over extra financial or other burdens in the European theatre and thereby helping another NATO state to intensify its historical links with the Gulf. Britain is the obvious candidate.

Beyond the Middle East, Bonn has already made clear it supports a further aid effort to Turkey and that it will step up its assistance to Pakistan. It has also pressed for speedy conclusion of the long-delayed agreement between the EEC and Yugoslavia—a direct response to the illness of President Tito and the fear that that area, too, could become a possible theatre for Soviet adventures.

All this demands reconsideration of the West German budgets both for development aid and defence. The Government has long been under pressure to increase both, but indicated that it had done what it could, given the need to reduce state indebtedness, relieve the capital market and help maintain the domestic economic upswing. But the eruption of the double crisis in Iran and Afghanistan has presented West Germany with an urgent new foreign policy priority demanding additional funds. It is also likely that the report by the international commission headed by Herr Willy Brandt on North-South relations, due to be officially released shortly, will now have a more enthusiastic response in Bonn than it might otherwise have done. Its recommendations for a new relationship between the developed and developing world — already broadly known—are not to be fulfilled cheaply. But they could hardly come at a more appropriate time for current West German foreign political strategy.

Most of the action which West Germany can initiate or to which it can lend support can only take effect—at best—in the medium term. In Bonn most people are painfully aware that the short-term risks are very high indeed. Even Herr Schmidt's visit to the U.S. in the first week of March for talks with President Carter seems in the present context, a very long way off. But its importance could hardly be overstated.

Letters to the Editor

BSC's interest burden

From Dr. R. Bryer and Mr. T. Brignall.

Sir,—We are intrigued by the figures reported by Roy Hodson (January 15) claiming that British Steel's "cash burden" is less than many leading international steel companies. As far as we can tell the statistics produced by BSC's research department (which show interest plus depreciation charges divided by the number of employees) are meaningless.

Any reader would be forced to take the figures on trust as the period they cover is not given (is it 1978-79, 1979, 1979-80, an average or what?). Nor is it clear how the figures were compiled (eg are the interest charges net of interest received; are the depreciation charges net of investment grants?). We, at least, are unable to replicate their figures.

The calculations are meaningless because unlike interest which is a cash expense, the depreciation charge is merely a book-keeping entry which allocates the original cost of assets over their useful lives. Depreciation is not a cash burden.

There is no direct link between interest plus depreciation and the number of employees, therefore dividing one by the other is meaningless. The correct way to measure the real burden imposed by interest charges is to compare them with the total costs incurred at long-run attainable output. More readily available figures which can act as unbiased substitutes for these are the annual sales figures, because selling prices are largely determined by the market. Relating interest charges to these clearly shows that the interest paid by BSC is indeed a greater burden than that borne by most of the companies for which we have figures.

	Interest as a % of Sales: 1978 or 1979 as appropriate
Thyssen (W. Germany)	1.6
Estel (W. Germany and Holland)	3.6
Arbed (Luxembourg)	5.3
Cockerill (Belgium)	6.0
BSC	6.3
Italsider (Italy)	18.5

(Source: European Extel cards and BSC annual report 1978-79)

In fact, current figures for Arbed and Cockerill are much better than shown because both have been financially restructured with Government help. Just part of the total package being provided by the Belgium Government to Cockerill is a loan bearing an interest rate of 1 per cent. Also, the West German government has given Arbed credit guarantees and investment grants (only repayable if profits are made) as part of its aid to the depressed Saarland. By comparison BSC is being treated most shabbily.

If BSC is not over-burdened by interest and depreciation charges why is it proposing to write off substantial amounts of both (totalling over £100m pa)?

Dr. R. A. Bryer,
T. J. Brignall,
School of Industrial and Business Studies,
University of Warwick,
Coventry.

Pricing energy

From Mr. J. Hannam, MP

Sir,—I read your lead of Friday about the Government's recently announced financial targets for the gas and electricity industries—"An abuse of targets"—with some surprise. Over the years the FT has commented, in my view both perceptively and constructively, on the very complex problem of the relationship between the Government and nationalised industries. One of your main themes has been the need to develop clear and sensible medium term guidelines within which the industries can operate, to give them some protection from the tendency of all Governments to interfere in matters of day-to-day management. After a gap of some ten years, the Government has now announced just such medium term guidelines for the gas and electricity industries. The financial targets reflect an energy pricing strategy which you recognise is necessary and right. I found it difficult, therefore, to understand the reasons for your criticism and for the headline.

The targets are described as "tinkering with the financial management of state industries" — as explained, they are in fact just the opposite; they should provide clear broad guidelines within which the industries can plan and run their own affairs.

You say it is hardly necessary to "preach" the need for economy in the use of energy supplies — but these proposals are not to do with preaching; they are simply intended to achieve a more realistic balance of demand against strictly limited and increasingly valuable supplies of energy. The alternatives, put simply, are rationing or more shortages.

Quoting the U.S. as an example, you say that it is relative rather than absolute prices which matter. But surely no one would deny the significance of what have been for many years very low (in absolute terms) fuel price levels in the U.S. and their effect on the developed world's over-dependence on Middle East oil?

You say it is not logical to reduce the relative attractions of gas over electricity. But this is not a purpose of the Government's pricing strategy. The real imbalance is not between electricity and gas but between domestic and industrial gas. At present domestic gas prices barely cover costs — an incredible and surely indefensible situation in a world of energy shortage and rising prices: the price of domestic gas has fallen in real terms by a third over the last ten years while the price of industrial gas — which contributes most of British Gas Corporation's profits—has risen massively in line with oil prices. This is a distortion which has to be corrected if industry is to be able to get the gas supplies it needs.

You say the logical way to influence demand would be to tax energy. But a tax would only influence demand if it were reflected in prices. And British Gas's profits already make, and will continue to make, a substantial contribution to public expenditure savings.

You speak of "an arbitrary change" in nationalised industry financial targets. Since you accept the pricing strategy on which the targets are based I cannot see how they can be described as arbitrary. Nor do they represent any change of course by the present Government. I seem to remember that the FT was itself one of the leading critics of the one-year targets set by the previous Government which fell well short of what their own White Paper had recommended.

On your final accountancy point, I would only say that the accounting basis on which the targets have been set is intended to reflect exactly what private sector practice will be after publication of the expected new current cost accounting standard. (Because the targets are set on the basis of current cost operating profit, the question of the gearing adjustment with which your earlier article was concerned does not arise.)

John Hannam.
House of Commons, SW1

Heating bills

From the Chairman, Tory Reform Group

Sir,—Trevor Skeet MP in his comments (January 18) on the latest increases in gas prices makes the point that certain disadvantaged sections of society will require assistance to meet their heating bills. He goes on to lay responsibility on British Gas and the Department of Health and Social Security to work out a suitable scheme. I doubt whether that is where the responsibility should lie. Even if it should, perhaps he could convince some Conservatives not to make the job more difficult by trying to reduce the real value of benefits payable to the disadvantaged.

It is pressure from a few unthinking Conservative backbenchers that has forced the DHSS to delay for example the uprating of child benefits from April to November and has as yet prevented the Secretary of State from committing himself to an uprating in line with inflation. This clearly hits all families but the worst hit are the most disadvantaged.

Perhaps while they are cooped up in Westminster during the winter evenings, the Financial Times could provide MPs with a selection of reprints of articles by Samuel Brittan and others demonstrating the value (and honesty) of wider indexation. The arguments in favour have been put so often and so eloquently that it is literally astonishing that this Government has not accepted them.

Clive Landa.
9, Poland Street, W1.

Nuclear power

From the Economics Adviser U.K. Atomic Energy Authority

Sir,—Mr. Norman Jenkins' letter (January 16) contains much good sense. It would indeed by worrying if decisions on energy were taken in isolation from one another in the way that he fears. Fortunately there are no grounds for these fears. Government spokesmen have made it clear that the modest proposal for ten additional nuclear power stations was made on the basis of a careful examination of all the energy options available to us, including the more efficient use of existing energy sources.

Moreover, the case for these additional stations, at a cost estimated at upwards of £10bn (not necessarily £20bn as stated by Mr. Jenkins), followed from a projection of electricity demand growth that was very modest by historic standards. The assumption was that electricity would grow at a lower rate than the growth of national income, though before 1973 electricity growth rates were typically much higher than the national income growth rate. As Mr. Norman Lamont, Energy Minister, said on a recent TV programme, to plan for less nuclear energy than this would be to take serious risks with the nation's energy future.

Mr. Jenkins' fears seem to arise from his concern that the benefits of combined heat and power may have been overlooked. Two other quotations from the TV programme mentioned above are relevant. Mr. Lamont pointed out that heat cannot substitute for electricity in most of its applications. This judgment must apply with special force to the low grade reject heat from electricity production which CHP makes available. On the same programme Dr. Walter Marshall—the chairman of the group that produced the recent Department of Energy report on CHP—reminded viewers that it is a mistake to assume that the UK is laggard in its use of this technology. CHP is used to a greater extent by industry in Britain than in most other countries, though some others have gone somewhat further in its use for district heating.

There may well be scope for using CHP more widely in district heating schemes, but this depends on economic factors like future movements in energy prices and on suitable opportunities becoming available. The Central Electricity Generating Board is establishing a pilot scheme in the West Midlands. Even the highest practical projections of increased use of CHP in industry and a major breakthrough on its use in district heating schemes in this country are unlikely to make the modest programme of ten additional nuclear power stations look excessive.

Some of Mr. Jenkins' concern for the wider use of CHP stems from his well-known conviction that electricity generating authorities waste energy. The truth of the matter is that the reject heat of electric power production is a fact of thermodynamic life. It represents the necessary and inescapable price paid when relatively low grade sources of energy like power station coal, oil refinery residuals and uranium are converted into electricity—a very high grade form of energy. All production processes produce waste. The waste from electricity production happens to take the form of low temperature heat. Sometimes industrial waste can be turned into a useful by-product and sometimes it cannot. The trick is to make sure that the cost incurred in utilising it does not exceed its value in use.

L. G. Brookes
11 Charles II Street, SW1.

Today's Events

GENERAL

UK: Trades Union Congress general council meets, London, to discuss next Monday's Welsh national one-day strike.

Labour Party national executive committee meets to determine membership of Commission of Inquiry into the Party.

Iron and Steel Trades Confedration and National Union of Blastfurnacemen joint executive meets.

Sir John Methven, Confederation of British Industry director general, speaks at CBI London region annual lunch, Mansion House.

Overseas: EEC Farm Ministers meet, Brussels.

PARLIAMENTARY BUSINESS

House of Commons: Debate on the Merrison Committee on the National Health Service. Motion on the European Communities (Definition of Treaties) (Multilateral Trade Negotiations) Order.

House of Lords: Debates on the problems facing small businesses, and on the existing state of legislation relating to freshwater fisheries in Scotland. Debate on the increase in the price of gas.

Select Committees: Industry and Trade. Witnesses: Sir Keith Joseph, Industry Secretary, Mr. Adam Butler, Minister of State, and Sir Peter Carey. Room 16, 10.45 am. Foreign Affairs. Subject: Foreign and Commonwealth Office organisation. Witnesses: Foreign and Commonwealth Office. Room 15, 11 am. Education, Science and Arts. The funding and organisation of courses in higher education. Witnesses: University Grants Committee. Room 6, 10.30 am. Transport. Witness: Mr. Norman Fowler, Minister of Transport. Room 15, 4 pm. Social Services. Subject: Perinatal and Neonatal Mortality. Witnesses: Spastics Society Child Poverty Action Group. National Birthday Trust. Room 8, 4.30 pm.

OFFICIAL STATISTICS

New vehicle registrations for December.

COMPANY MEETINGS

J. A. Devenish and Co., The Brewery, Hope Square, Weymouth, Dorset, 12.30. General Stockholders Investment Trust, Winchester House, 77 London Wall, EC, 10.45. MEPC, The Orchid Room, Dorchester Hotel, Park Lane, W1, 12. Wolverhampton and Dudley Breweries, Station Hotel, Castle Hill, Dudley, 12.

MFI moves ahead 33% to £8m at six months

IN LINE with the significant improvement anticipated for the current year, profits before tax of MFI Furniture Group advanced by over 33 per cent from £6.03m to £8.06m for the 26 weeks to November 24, 1979. Last October, the directors forecast that the full year's result would be at least £18m, compared with £13.98m previously.

Mr. Arthur C. Southon, the chairman, says that although the general retail climate is not good, trading since November has been running at a very satisfactory level and he retains his confidence in the group's continuing success during the remainder of the year.

Sales for the first 26 weeks of the household furniture retailer increased by 39 per cent to £56.12m, with existing branches showing continuing growth and good trading results from the new stores opened during the six months.

The increase in VAT rate and the loss of advertising as a result of the independent television strike adversely affected the level of trading during part of the period.

However, the group has been successful in holding its prices without any considerable effect upon trading margins. "This is a significant achievement against a background of growing inflation," Mr. Southon states.

Adjusted for last year's group reorganisation and one-for-one scrip issue, the interim dividend is effectively hoisted from 0.366p to 1.1p net, from stated six months earnings of 3.8p (3.5p) per 10p share. In the last full year, payments totalled an equivalent 1.866p and, based on the profits forecast, a total of 2.62p has been projected for the current year.

Tax charge for the half year increased from £1.44m to £3.02m and net profits were ahead at £5.04m (£4.58m). Dividend cost rose sharply from £0.35m to £1.45m leaving retained surplus lower at £3.59m, against £4.23m.

During the period, nine new branches were opened, but two smaller ones were closed. The total number of stores at the end of November was 71 and the group has a target of 78 for the end of June, 1980.

See Lex

HIGHLIGHTS

Lex sets the scene for this morning's tender offer of two new gilt-edged stocks by the Bank of England. An active bid story warmed up yesterday with the emergence of **Blue Circle** as the bidder for **Armitage Shanks**. Lex looks at the background to this deal and also discusses the significance of **Electrolux** launching a takeover for **Ganges**, the Swedish metals and forging group. **MFI** continues to show rapid growth with the latest pre-tax profits showing a rise of a third to over £8m at the halfway stage. Other news came from **Midland Bank** which has sold its 3.74m shares in **Standard and Chartered**. Comments are made on the inside pages on **Lincroft Kilgour, Jones Stroud, Benjamin Priest, Amber Day, SEET** and **Wrightson.**

Amber Day rises midway but gives warning on prospects

REFLECTING THE increased capacity of the manufacturing division, sales of **Amber Day Holdings**, clothing maker and retailer, rose from £12.64m to £16.55m in the six months to October 31, 1979. Pre-tax profits were £1.04m against £993,000 in the same period last year.

However the directors say that as a result of continuing pressure on margins caused by the inability to pass on price increases, they must view the immediate future with caution. Profits last year totalled £1.8m.

First-half sales include £671,000 from Randall Fashion Group—this figure includes sales of £466,000 prior to September 12, 1979, the effective date of acquisition.

Trading profit was up from £1.04m to £1.27m including an £81,000 contribution from Randall, £225,000 profit on a sale and leaseback transaction and non-recurring items estimated at £165,000.

Stated earnings per share are 4.78p against 4.39p and the directors are declaring an interim dividend of 0.9p per 20p share. Last year the interim of 0.8375p and the 1.9625p final were on 10p shares prior to writing up the nominal value by way of a scrip issue of the share premium account.

Higher financing costs of £228,000 (£44,000) following the group's expansion, will be offset in future by the proceeds of the recent issue of 2m 10½ per cent £1 preference shares.

First half tax charge is £259,000 (£233,000) and after pre-acquisition profits and minorities totalling £59,000 (£227,000) the attributable balance is £719,000 against £533,000.

The re-organisation of the ladieswear retail division, following the acquisition and integration of Randall Fashion, has now, however, been successfully completed, and the results are already apparent in a resumption in the trend of rising sales.

● comment

If it were not for the inclusion of Randall and the leaseback profit, Amber Day's record of uninterrupted growth over the past decade would be in serious jeopardy. As it is, the company looks to be heading for little more than last year's £1.8m pre-tax. Slack demand for clothing is making it difficult for the company to pass on increased costs, and margins are, as a result, coming under pressure. However, while the trading position is difficult, the £2m preference share issue will take most of the pressure off the balance sheet, leaving plenty of scope for an acquisition. Given the immediate outlook for the retail sector, this is likely to be the company's only hope for growth in the short term. The uncertainties are fully reflected in the share price of 35p, down 4p, where the prospective fully-taxed p/e is 6 and the yield not much more than 12 per cent.

Caledonian Cinemas setback

Pre-tax profits of Caledonian Associated Cinemas for the six months to September 29, 1979 dropped from £500,000 to £281,000, on turnover up from £3.6m to £3.8m.

The directors, however, consider that the results are satisfactory in view of the present economic conditions.

In the last full year pre-tax profits were £757,000 from turnover of £7.2m.

Mr. R. Clark, the chairman, forecast in his annual statement that VAT would affect profitability of secondary source of income in cinemas and sales in retail outlets.

Tax charged was £126,000 against £194,000. The interim dividend of 2p (1p) per 25p share has already been announced.

Jones, Stroud 25% downturn

HIGH INTEREST rates, losses in an overseas subsidiary and the effects of the engineers' strike resulted in a 25 per cent downturn in pre-tax profits for **Jones, Stroud (Holdings)** in the six months to September 30, 1979, and the directors say the second half is unlikely to show any improvement.

The surplus slipped from £1.41m to £1.06m, and Mr. Philip Jones, the chairman, states that with the group entering a period of increasing competition due to the onset of the recession, it will be difficult to maintain margins, let alone increase them to adequate levels.

But, he continues, the efforts made to rationalise the group are bearing fruit and it is poised to take advantage of any upturn in the economy. In the last full year, profits were £2.8m (£2.42m).

Loss-making subsidiary J. and J. Cash (Canada) has now been sold, subject to contract, and considerable funds have been invested in the reorganisation of J. and J. Cash (Coventry), although the chairman says that with the even higher interest rates now prevailing no benefit will accrue from this in the current year.

Turnover for the six months improved marginally from £14.1m to £15.03m. Trading profits were £1.17m (£1.43m) before the sharply increased interest charge of £322,000 (£195,000) and share of associates' profits of £206,000 (£173,000).

After lower tax of £377,000 (£513,000), exchange losses of £97,000 (£83,000), extraordinary debits of £13,000 (£127,000) and the preference dividends, the attributable surplus emerged at £513,000 (£628,000). Stated earnings per 25p share are 7.12p (9.58p).

The interim dividend is 2p, the same as last year, and the directors anticipate the final will remain unchanged at 3.2p.

The group manufactures fabrics, accessories and materials for the textile and electrical industries.

● comment

A sharp downturn at J. and J. Cash (a manufacturer of name tapes) and around £100,000 of earnings lost in September through the engineering strike fully account for the 25 per cent fall in pre-tax profits at Jones Stroud. The Cash operation in Canada lost £50,000 in the first half and is now being sold, but the main damage was at the Coventry site, which is being reduced in size and manning. The financial benefits of this rationalisation should be felt next year, by which time the absorption of Cash in Australia should also be further advanced. For this year, however, profits of £2.1m and a maintained final are the most that can be expected. On this basis, the share price of 70p offers a fully-taxed p/e of 6.6, which is not too demanding given useful recovery prospects and the capital appreciation of the associate holding in Fothergill and Harvey. The yield is 10.9 per cent.

D. Bevan increase in first half

AN increase of £101,000 to £252,000 pre-tax profits for the first half ended September 30, 1979 is reported by D. F. Bevan (Holdings) and the directors again look forward to a second half materially better than the first six months.

However, it would be unrealistic to expect an increase as dramatic as that seen last year, the directors say. Profit at the end of 1978-79 was a record £550,000.

In view of the abnormally high interest rates, the directors consider it prudent to declare a "relatively modest" interim dividend of 0.5p against last year's equivalent 1.121p but they remain confident that the year's total will be maintained on capital increased by the recent scrip issue. The previous total was equal to 2.543p.

First half turnover improved from £5.87m to £6.86m. Tax takes £131,000 (£78,000), giving earnings per share of 1.7p (1.2p adjusted).

The West Midlands group trades as metal merchants, casting and general engineers and steel stockholders.

Saint Piran parties to meet Takeover Panel

ALL PARTIES involved in the share-owning controversy surrounding Saint Piran, the troubled tin mining and property group, are expected to attend a meeting between the company and the Takeover Panel executive due to take place on March 21.

The Panel is examining whether a group of persons acting in concert has acquired over 30 per cent of the group equity without making a bid in contravention of the Takeover Code. Gasco Investments based in Hong Kong is the principal company in the affair holding 29.6 per cent of the Piran capital. The other parties involved are Ruffec, a Luxembourg company, and Aerolinas Cordoba, a Panama company.

Mr. Malcolm Stone, who recently took over as chairman following the departure of Mr. Henry Hodding, said he was confident the dispute would be be satisfactorily resolved.

Mr. Stone said that the group was now planning to implement a policy of remitting funds from the Far East to the UK. This was expected to involve some £2m, which would be used for expansion of UK activities.

The money would come from the group's operations in Thailand and Hong Kong.

The group, which has already been investigated by the Australian and London stock exchanges, is currently undergoing a Department of Trade investigation. Inspectors were appointed a month ago under section 165(b) which gives them powers to look at every aspect of the company, and under section 172 which relates specifically to the true ownership of shares.

Lincroft Kilgour profit slumps 50% to £0.4m

WITH FIRST-HALF results adversely affected by the lorry drivers' strike and the severe winter, the **Lincroft Kilgour Group**, cloth merchant and menswear manufacturer, suffered a further sharp drop in UK profitability in the second-half.

Pre-tax profits for the year to September 30, 1979 were over 50 per cent lower at £434,696 against £875,170. At halfway the pre-tax profit was £261,000 (£424,000).

Commenting on the figures, Mr. Tony Holland, the chairman says the second half drop resulted from the increase in VAT, which was absorbed in order to maintain the level of sales, thus avoiding an increase in stocks. The further strengthening of the pound continued to affect the group's export performance, he adds.

The various setbacks resulted in trading profits being reduced from £961,231 to £540,928. Exchange losses were up from £99,860 to £136,299.

Turnover was £14.5m (£13.6m) and of this amount £8.6m came from cloth merchanting and £5.9m from menswear manufacturing. Homes sales brought in £7.6m (£6.71m) and exports amounted to £5.8m (same).

Tax charged more than trebled, from £50,297 to £175,519. Retained profit dropped from £618,054 to £48,486.

Stated earnings per 10p share are 5.16p (16.95p).

The final dividend is 2.4p (2.365p), making a total of 4.05p (3.965p). Last year's total includes a payment of 0.1p following the change in the rate of ACT.

● comment

Like many other companies in the textile industry, Lincroft Kilgour's full-year results bear the scars of a difficult trading period, although the balance sheet shows less signs of wear. The main headache is in the menswear manufacturing division where cheap imports have played havoc with orders. Sales volume was down almost a tenth and the trading margin slumped from 9 per cent to less than 2 per cent. Elsewhere, cloth merchanting held up rather better but unfavourable currency movements discouraged overseas buyers, especially from the important Japanese market. At home, the difficulties were compounded by the lorry drivers' strike, unfavourable weather and the increase in VAT. Overall, the outlook is bleak, a sentiment reflected in the share price of 36p, down 3p, where the p/e, on a low tax charge, is 6.5 and the yield 17.6 per cent—but barely covered by historic earnings. So long as the strong pound continues to make life difficult, it might be necessary to broaden the company's sources of supply but there can be little else to ease the strain over the short term.

Yearlings up

The coupon rate on this week's batch of local authority yearling bonds rose from 15 per cent to 15¼ per cent. Issued at par, the stocks mature on January 28, 1981.

The issues are: Monklands DC (£0.5m), North Cornwall DC (£0.5m), Tandridge DC (£0.25m), Chelmsford BC (£0.5m), City of Edinburgh DC (£1.5m), City of Liverpool (£2m), Barnsley Metropolitan BC (£0.5m), Bedfordshire CC (£0.75m).

Borough of Bournemouth (£0.5m), Forest Heath DC (£0.5m), Newport BC (£0.5m), London Borough of Southwark (£1.5m), City of Bradford Metropolitan Council (£1m), Charnwood BC (£0.5m), City of Kingston Upon Hull (£1m), Mid Sussex DC (£0.5m).

Thanet DC (£0.5m), East Hertfordshire DC (£0.5m), London Borough of Camden (£1m), City of Norwich (£1m), London Borough of Lambeth (£1m), Kennet DC (£0.25m), Malvern Hills DC (£0.5m), Lichfield DC (£0.5m), and West Oxfordshire DC (£0.25m).

McKay Securities interim up

PROFITS BEFORE tax of McKay Securities Group showed an increase from £301,000 to £460,000 in the first half ended September 30, 1979, and the directors are declaring an interim dividend of 1.35p compared with last September's expectation of a 1.25p payment.

A one-for-three scrip issue is being proposed and a similar final of 1.35p is expected on the enlarged capital. Last year an interim dividend of 0.35p was followed by a 1.25p final.

The board says results for the second half are expected to be not less than those for the first half—profits at the end of 1978-1979 totalled £703,000.

Gross rents and service charges receivable in the first half improved from £752,000 to £1.08m. Profit in the first half last year was after £145,000 sales of properties by an overseas trading company.

Tax takes £223,000 (£149,000) leaving net profit at £237,000 compared with £152,000. There is also £12,000 (£13,000) interest and outgoings on properties in the course of development, after deducting tax relief.

SEET improves £31,000

PRE-TAX profits of Scottish, English and European Textiles, manufacturer of clothing fabrics, increased from £617,000 to £648,000 in the six months to October 31, 1979. Turnover was £6.3m, against £5.1m.

Mr. J. H. M. Mackenzie, the chairman, says in his report that the refurbishing of the group's plant and its interests in Harris Tweed, tartan and flannel, in particular, continue to contribute materially to the results.

He says that the second-half year's trading continues to be satisfactory with a healthy forward order position.

The interim is increased from 0.737p to 0.8p—last year's total was 2.417p, paid from profits of £1.31m.

Tax for the half year takes £350,000 (£330,000).

● comment

For a company which exports some 60 per cent of its product, Scottish European and English Textiles is riding out the effects of the strong pound comparatively well. Its emphasis on top-drawer Scottish tweeds and tartans, aimed particularly at the American market, has helped to insulate it from foreign competition. There has, of course, been some effect, with pre-tax margins slipping almost two points. But the second half may see some slight easing here, as mohair prices begin to fall back after their steady rise through the first half. The stage would seem to be set for full-year pre-tax profits of around £1.4m, indicating a prospective fully-taxed p/e of 3.6 which reflects the stagnant earnings. A similar increase on final dividend will give a yield of 6.7 per cent, characteristically modest.

GERNI A/S BUYS INTO UK MARKET

Gerni A/S of Randers, Denmark, has purchased Eastern Cleaning Equipment, formerly importer of Gerni pressure cleaning equipment for East Anglia and Southern England. The pressure cleaner side of Herbert Robinson of Cambridge has also been absorbed into the new company with immediate effect.

The new company will operate from Eastern Cleaning Equipment's premises in Ipswich and it is anticipated that new warehouse and office facilities will be developed in the near future. The trading title of the new company will be Gerni (UK) Ltd.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Amber Day	int.	0.9‡	April 30	0.84§	—	2.8§
D. F. Bevan	int.	0.5	April 10	1.12*	—	2.54*
Bootham Engineers		6	—	2.9	5.15*	11.5
Free Ste. Dv. & Inv.	int.	10‖	March 14	5	—	15
Jones, Stroud	int.	2	April 9	2	—¶	5.2
Lincroft Kilgour		2.4	April 17	2.37	4.05	3.97
McKay Secs.	int.	1.35	March 21	0.35	—	1.6
MFI Furniture	int.	1.1	April 3	0.37*	—	1.87*
B. Priest	int.	1.69	March 28	1.47	—	6.09
S.E.E.T.	int.	0.8	March 3	0.74	—	2.42
Wintrust	2nd int.	0.88	Feb. 28	0.88*	—	2.9*
Zetters	int.	0.75	April 11	—	—	1.9

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ On 20p shares. § On 10p shares. ¶ Maintained final forecast. ‖ South African cents.

SPAIN

January 22	Price %	+ or −
Banco Bilbao	209	
Banco Central	226	
Banco Exterior	211	
Banco Hispano	212	
Banco Ind. Cat.	135	
Banco Madrid	175	
Banco Santander	246	
Banco Urquijo	165	
Banco Vizcaya	215	
Banco Zaragoza	205	
Dragados	104.5	−1.5
Espanola Zinc	58	
Fecsa	59	
Gal. Preciados	35	−0.5
Hidrola	63.2	−2.5
Iberduero	61	−2
Petroleos	119	+2
Petroliber	73	
Sogefisa	115	
Telefonica	56.2	−0.8
Union Elect.	63.5	−1.7

EUROPEAN OPTIONS EXCHANGE

Series	April Vol.	April Last	July Vol.	July Last	Oct. Vol.	Oct. Last	Stock
ABN C F.300	13	8	5	10.50	—	—	F.290
ABN C F.320	9	2.30	5	2.60	—	—	
AKZ C F.22.50	4	1.50	20	2.20	—	—	"
AKZ C F.25	31	0.60	221	1.10	—	—	F.23.40
AKZ C F.27.50	15	0.20	30	0.40	—	—	"
AKZ C F.30	215	0.10	6	0.30	—	—	"
AKZ P F.22.50	10	0.70	2	1	—	—	"
AKZ P F.25	—	—	5	2	50	2.40	"
AKZ P F.27.50	5	4.20	—	—	—	—	"
ARB C F.65	3	1.10	—	—	—	—	F.62
CSF C F.520	—	—	3	46	—	—	F.544
CSF C F.560	—	—	—	—	3	35	"
HO C F.22.50	—	—	3	1.70	—	—	F.20.80
HO C F.30	—	—	2	0.30	—	—	"
IBM C $70	2	3⅛	—	—	—	—	$69¾
IBM C $75	22	1⅞	—	—	10	4⅜	"
KLM C F.70	69	5	37	5	13	6.50	F.68
KLM C F.80	165	0.80	80	2	140	2.50	"
KLM C F.90	30	0.20	42	0.80	—	—	"
KLM P F.70	50	5	42	6.30	1	8.30	"
KLM P F.80	5	15.50	—	—	—	—	"
NN C F.115	2	6.70	—	—	2	9	F.118.40
NN C F.120	1	3.20	—	—	—	—	"
NN C F.125	41	1.10	—	—	—	—	
PET C Fr.5500	2	520	10	630	—	—	Fr.5730
PET C Fr.6000	1	250	10	400	5	460	
PHI C F.20	39	1	44	1.20	35	1.50	F.19.60
PHI C F.22.50	74	0.30	165	0.50	50	0.70	"
PHI P F.25	2	0.20	—	—	—	—	"
PHI P F.20	11	1	27	1.20	8	1.10	"
PHI P F.22.50	37	3	2	3.50	—	—	"
PRD C $30	—	—	2	2	—	—	$35⅛
RD C F.140	49	9.20	20	10	—	—	F.146.40
RD C F.145	75	6	25	7.40	—	—	"
RD C F.150	71	3.50	83	4.80	16	6.30	"
RD C F.160	353	0.90	7	1.80	—	—	"
RD P F.140	136	1.70	—	—	—	—	"
RD P F.145	165	3.30	5	5.20	—	—	"
RD P F.150	58	6.40	—	—	—	—	"
RD P F.160	10	14.50	—	—	—	—	"
UNI C F.115	15	4	—	—	—	—	
UNI C F.120	—	—	1	3.20	—	—	F.114.70
UNI C F.125	55	0.80	—	—	—	—	"
XRX C $60	3	5⅛	—	—	—	—	[illegible]
XRX C $70	—	—	—	—	10	4	"
	Feb.		May		Aug.		
BA C $50	—	—	4	16⅛	—	—	$64¼
BA C $60	—	—	8	8⅛	13	10⅛	
SLB C $80	2	20⅛	—	—	—	—	[illegible]
SLB C $90	1	11	—	—	—	—	"
SLB C $100	10	3⅞	12	8¼	—	—	"
TOTAL VOLUME IN CONTRACTS					5133		

C=Call P=Put

Modest rise at Zetters

A LEVELLING-OFF in turnover, particularly by the pools division, resulted in only marginally higher mid-term profits at Zetters, the pools and bingo group.

The pre-tax surplus edged ahead from £608,470 to £614,891 in the half year to September 30, 1979, on increased turnover of £5.1m (£4.64m) after deducting payments to pools winners and betting tax totalling £5.39m (£5.25m).

The directors say current trading is showing some improvement compared with the same time last year and, as a result, they expect a moderate increase on the £1.39m profit for 1978-79.

There is an interim dividend of 0.75p net — previously a single payment has been made, last year's being 1.9p. The intention to pay in interim this time was forecast in the last annual report.

After tax for the half-year of £320,000 (£316,400), stated earnings per 5p share are up from 4.45p to 4.5p.

Healthy order books at Avon

Given a rapid solution to the steel strike and the removal of a few other uncertainties Avon Rubber, the tyre, industrial rubber and engineering group, could show much better profits in the current year.

Mr. P. M. Fisher, managing director, said yesterday that the order books were healthy despite the problems of high inflation and interest rates and the strong pound. However, with increasing costs margins were under pressure.

Mr. Fisher said that the steel strike had not affected the company yet but he expected that within the next two weeks it would really bite into the car industry, one of the group's customers.

Wintrust 21% up midterm

PRE-TAX profits of Wintrust, banker, increased by 21 per cent, from £579,995 to £705,656, in the half-year to September 30, 1979, and the directors say this trend has continued during the following three months. In the last full year, the taxable surplus totalled £1.24m.

The second interim dividend is effectively held at 0.879p—a first interim of 0.1p (0.0833p adjusted) was paid in December.

The directors say the first dividend of 4.9327p per 10½ per cent cumulative preference share will be paid on March 31. Subject to the final being at least maintained at last year's 1.9404p, the combined payment will be equivalent to an increase of some 22 per cent in distributions to holders, they add.

Tax for the half year took £277,171, compared with £163,517 adjusted to reflect changes in accounting policy for deferred tax.

Earnings per 20p share are given as 5.07p (4.93p) basic, and as 4.41p (4.27p) fully diluted.

Engineers' dispute trims Benjamin Priest growth

INCLUDING a full contribution this time from Warne Wright and Rowland, taxable profits of Benjamin Priest and Sons (Holdings), engineering concern, improved from £0.95m to £1.2m for the half-year to September 28, 1979, on turnover well ahead at £22m, compared with £9.8m.

The directors say profits advanced satisfactorily in the first four months, but were affected by the engineering dispute during August and September. However, after the industry returned to normal working, the group's trading performance for the third quarter resumed its earlier satisfactory level.

Despite difficulties in industrial relations on a national scale, the directors are confident about the group's fundamental strength and long-term prospects.

Regarding the rest of the year, however, they say the dispute which has halted production at British Steel makes it impossible to forecast the final outcome.

Stated half-yearly earnings fell from 8.19p to 5.67p per 25p share, but the net interim dividend is lifted to 1.694p (1.474p) —last year's total payment was 6.094p on record pre-tax profits of £2.61m.

Throughout the half year, close attention was paid to customers' needs, the directors state, and full advantage was taken of the enlarged base of manufacturing activities afforded by the Warne Wright acquisition.

As a result fresh opportunities for internal expansion are being actively pursued and the group has made a further substantial investment in new plant and machinery to cater for planned growth in the 1980s.

Interest charge for the period increased from £49,000 to £378,000. Tax took £246,000 (£194,000) leaving net surplus ahead from £754,000 to £959,000. The interim dividend absorbs £286,616 (£249,395).

● comment

Net of interest charges, the Warne Wright contribution was probably around £450,000 in the first half so the underlying trend in Benjamin Priest's earnings has turned clearly downwards. The engineering strike was the main culprit, knocking off some £350,000. Sales, on the other hand, have kept moving along and the group is not yet being squeezed too hard by the steel dispute so profits of around £3.2m could be achieved this year. The group needs to pedal hard to justify the flood of paper it has been issuing—the share capital has more than quadrupled over the past two years. A 10 per cent gross increase at the interim is a sound gesture of intent, however, and a repeat performance at the final would put the shares, at 71p, on a yield of 14 per cent. The prospective fully-taxed is 7.6.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Amalgamated Distilled Products, James Austin Steel, Denbyware, Regional Properties.

Finals: Bakers Household Stores, Edinburgh American Assets Trust, Henlys, Lookers, Scottish American Investment, Union Discount.

FUTURE DATES

Interims—	
English Assoc. of American Bond and Share Holders	Feb. 14
Hillards	Feb. 4
Neepsend	Jan. 28
Newmark (Louis)	Jan. 31
Stirling Knitting	Jan. 28
Finals—	
Kuala Lumpur Kepong Berhad	Jan. 28
Pratt (F.)	Jan. 30
Prestige	Jan. 29

Bootham doubles dividend

IN LINE with the directors' midway forecast of satisfactory growth, pre-tax profits of Bootham Engineers advanced from £681,193 to £795,676 in the year to October 31, 1979.

It was also anticipated at the halfway stage that the final dividend would equal the interim payment, and the directors now announce a final of 6p, lifting the total for the year to 11.5p compared to an equivalent 5.145p.

Turnover improved from £5m to £6.67m, and tax takes £331,815 against £270,332.

Midway decline at F. Wrighton

INCREASED CAPITAL expenditure and high stock levels required for a new production programme coincided with a deteriorating economic climate to reduce pre-tax profits of F. Wrighton and Sons (Associated Companies) from £188,000 to £60,000 in the half year to September 30, 1979.

While they cannot be optimistic about the immediate future, with increasing consumer restraint, high inflation and no apparent likelihood of a significant reduction in interest rates, the directors say the furniture maker's new production programme should gradually increase profitability.

They add that the French subsidiary, which has for so long been a problem, has had a very successful six months, with sales increasing some 70 per cent.

Turnover for the half year improved slightly from £4.12m to £4.65m, and there is a tax credit of £3,000 (£114,000 charge). Stated earnings per 10p share are 1.34p (1.59p).

A single dividend of 1.083p was paid last year on total taxable profits of £491,000.

● comment

Tax benefits from capital expenditure holding back some of the slide in attributable earnings redeems an otherwise very depressing first-half performance from F. Wrighton and Sons. Although the company declines to break out interim interest charges, borrowings are still around the year-end level of £614,000, so not too much of the blame can be placed there for the pre-tax profit slump. What is certainly causing problems is the introduction of a new production method which, when operating smoothly next year, should give greater flexibility in kitchenware finishes. But for the current half, the outlook is gloomy, though tax benefits will continue to be felt. On the overseas side, the French companies failed to provide a profits boost to match the increased turnover. On its ungenerous historic yield of 4 per cent at 38p, down 7p yesterday, Wrighton's asset backing of around 130p may be the main support for the shares—at least for this year.

MIDLAND BACKING FOR MEASURAND

Through its development capital subsidiary, Montague Industrial Finance, Midland Bank has provided £170,000 for Measurand International (Transducers), giving it about one-third of the equity.

Measurand, which produces strain gauge transducers and electronic measurement instrumentation, will use the funds provided to increase production capacity.

J. Halstead reorganises subsidiaries

In an effort to achieve further and more speedy profitable growth, James Halstead (Holdings) announces a major reorganisation throughout its operating companies.

Directors have set up a new company—Titan Leisure Group —to act as co-ordinator for the development of two existing subsidiaries, Belstaff International and James Arthur as well as another new company, Titan Exports.

Belstaff International BV, a subsidiary of Belstaff International becomes a subsidiary of Titan Exports. The result of these changes is that the number of subsidiaries of Halstead (Holdings) is reduced from four to three—James Halstead, Titan Leisure and BM Coatings.

The Halstead group, based in Manchester, has major interests in the manufacture and sale of PVC floor coverings, protective clothing and coated fabrics.

James Halstead (Holdings) has reached agreement with the receiver of Conway Trailers for the purchase of stock, plant, machinery and motor vehicles, together with post-receivership current assets.

Conway is engaged in the manufacture, distribution and sale of Conway trailer tents. The company is trading profitably, but was put into receivership as it was unable to meet the liabilities of a cross guarantee of its parent company.

A separate agreement has also been reached with the receiver of Ibis Kendal Holdings, the parent of Conway for the purchase of 50 per cent of the capital of Kingway Sarl (France) and the whole of Ibis Europe BV (Holland) and Conway Trailers U.S.A. Inc. (Elkhart, Indiana).

The total consideration is £501,000 in cash payable on completion, which is estimated to be January 31 this year.

Owing to the appointment of a receiver, the latest audited figures available are for the year ended July 2, 1978, which show a pre-tax profit for Conway (after a management charge by Ibis of £60,000) of £124,000 on a turnover of £1.558m.

The current level of activity is however significantly ahead of these figures.

KUEHNE & NAGEL

A new UK holding company with a £34m turnover is being formed by Kuehne and Nagel's deep sea and overland and air cargo specialists Kuehne and Nagel Ltd. and Kuehne and Nagel Air Cargo. This move is part of a general UK expansion programme.

The Swiss parent company has injected £450,000 into the new concern, called Kuehne and Nagel (UK) to provide a new share capital of £1m.

MIM boosts earnings at half-way stage

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S major producer of base metals, MIM (Holdings) has boosted its half-year net earnings to A$93.84m (£45.55m), or 26.3 cents (12.8p) per share in the half-year to December 16. This compares with A$26.2m a year ago.

In line with the policy of distributing 50 per cent of net earnings, the interim dividend is lifted to 12 cents from 4.5 cents; the previous year's final was 12.5 cents.

John Rogers reports from Sydney that with metal prices still good the group could easily meet local stockbroker predictions of a A$200m profit for the full year. Reflecting this view the Australian sharemarket has already placed MIM ahead of Conzinc Riotinto of Australia in the number two position in market capitalisation behind Broken Hill Proprietary.

MIM commented that the latest results reflected the strength of silver prices coupled with rises of about 40 per cent and 90 per cent in those of copper and zinc, respectively. It was reckoned that the speculation in precious metals could have an impact on prices of the base metals, notably copper, in the current half year.

Meanwhile, MIM considers that prices of zinc are less than adequate to sustain a long-term healthy outlook in that industry while lead prices have fallen substantially from their previous peaks as a result of lower demand. It is added that the latest results "have strengthened further the financial position of the company at a time when many new projects are under consideration."

The latter comment would have been made in the light of the group's move into Queensland coal via the Collinsville and Oaky Creek projects and its interests in the Agnew nickel mine and the Selection Trust group's copper-zinc venture at Teutonic Bore. All these projects will require large amounts of capital. MIM shares were 19p down at 285p in a generally weak market yesterday.

Good half-year for 'Freddies'

THE modest-sized South African mining finance house, Free State Development and Investment ("Freddies") reports a half-year net profit of R517,208 (£277,000). This compares with R322,704 a year ago and the total of R853,775 for the full year ended June 30 last.

The interim dividend is doubled to 10 cents; the total for the previous full year was 15 cents. "Freddies" adds that its net asset value on January 21 was equal to 645 cents (345p) per share; the latter were 190p in London yesterday.

"Freddies" investments include gold and platinum. Although it is pointed out that investment and share-dealing revenue does not accrue evenly throughout the financial year, it is still reasonable to assume that the company is heading for an even better second half.

Investments include a major holding in the young Unisel gold mine which is still working towards the dividend stage, S. A. Manganese, Southvaal, Palabora, De Beers and Rustenburg Platinum Holdings. The company says that it is also building up a stake of 100,000 shares in Sasol over a period ending in January next under the recent private placing.

Western Areas' uranium deal

THE Johannesburg Consolidated group's Western Areas gold mine in South Africa has now obtained the uranium sales contract that it was seeking. It will also receive an interest-free loan of R30m (£16m) to meet the capital expenditure involved in establishing the uranium production facilities.

Western Areas says that the R10m balance of spending not covered by the loan will be financed out of profits but thus will not unduly affect dividends. It is considered that the uranium agreement "will result in enhanced profits and dividends in the longer term, together with an extended life of mine."

The loan will be repayable in conjunction with deliveries of uranium oxide which will start in 1983 and the prices to be paid for the uranium will be based on a formula which is linked to world market prices and also takes into account costs via an indexed base price.

In line with the general trend of the gold share market yesterday Western Areas fell 59p to 368p.

ROUND-UP

Work has started on the development of a copper mining and smelting complex to produce 200,000 tonnes of refined copper a year at Yongping, Jiangxi province, in south-east China, the New China News Agency said. The plant will take ore from seven mines in the area.

South African gold warning

EUROPEAN gold jewellery consumption could decline by between 30 and 40 per cent if the bullion price remains above $650 an ounce, Mr. Denis Etheredge, the president of the South African Chamber of Mines, warned yesterday.

Although his warning was delivered against the background of a falling bullion price, his remarks were a reminder that the stronger the speculative pressures on the market the greater the resistance could be from the traditional consumers of gold.

In recent years jewellery has taken around 60 per cent of the gold made available on the market.

The bullion price yesterday, despite a heavy reaction from last Friday's record London close of $835 an ounce, still finished $40 higher than Mr. Etheredge's limit of tolerance for the European jewellery consumers.

He noted in a speech prepared for a technical seminar in Johannesburg that a situation had been building up similar to that in 1973-74. At that time, as the gold price rose from $40 an ounce to nearly $200, jewellery industry purchases dropped sharply—from 1,060 tonnes in 1971 to 232 tonnes in 1974.

Mr. Etheredge's concern has been foreshadowed for some months. "Gold 1979," published by Consolidated Gold Fields last June, contained a poll of U.S. gold jewellery users: this showed that 60 per cent of the respondents would decrease their use of gold if the price went over $260 an ounce, a price passed on the way upwards last May.

At the same time, Mr. Etheredge was echoing the complaint of one of the major platinum producers. On Monday, Sir Albert Robinson, chairman of Rustenburg Platinum Holdings, referred to the decline in Japanese platinum jewellery consumption because of free market price movements.

However, Mr. Etheredge said that events over the past few years would, to some extent, help to avoid the drastic reaction to the rising bullion price which took place in 1973-74. He added that Intergold, the Chamber's promotional arm, could take various steps to help the European jewellery industry, although he did not specify any particular moves in the offing.

BIDS AND DEALS

Blue Circle offer for Armitage worth £28m

BY ANDREW FISHER

Blue Circle Industries, the major UK-based cement group, revealed itself yesterday as the bidder for Armitage Shanks, with an agreed £28m offer.

The move prompted a sharp drop in Blue Circle's own shares by 22p to 266p and met with a muted response from representatives of Armitage's major shareholder, the Lebanese-owned Ceramics Investments BV.

Armitage had its shares suspended on Monday at 55½p because an approach had been received. Yesterday's bid — two Blue Circle shares for six of Armitage — values Armitage's shares at 89p.

There is also a semi-cash alternative of one share plus 258p cash for six of Armitage; this *puts a value of just over 87p on* each Armitage stock unit. The directors of Armitage have accepted the bid for their own small holdings.

Ceramics, part of a Panamanian company controlled by Lebanese industrial and trading interests, is looking at the bid terms, but has still not committed its 21.2 per cent stake.

Mr. Keith Hamer, a director of MEA Investment company in London, which represents Ceramics, said last night that his immediate impression was that the bid could have been pitched higher, perhaps above 100p a share. "We are not entirely satisfied," he commented.

Blue Circle's managing director, Mr. John Milne, said the company had made a high bid for Armitage so as to secure the board's agreement and discourage any potential counter-bidders. *Several companies have* been mentioned recently as possible bidders for Armitage, which last year failed to merge with Johnson-Richards Tiles, now part of Norcros.

Armitage was also bid for by Glynwed back in 1973, but the attempt failed when it was referred to the Monopolies Commission. Ceramics entered the scene in 1978 when it picked up the 8.3 per cent stake in Armitage still held by Glynwed.

According to Mr. Milne, Armitage's entry into the Blue Circle group would open up new markets to the bathroom equipment ware company, which boosted profits by 84 per cent to £4.5m in the year to March 31, 1979, and from £2m to £2.5m in the subsequent six months. But it was reluctant to make any second-half forecasts.

As for Blue Circle, Mr. Milne said 1979 was a fairly flat year —pre-tax profits were £51m in the year before—but in 1980 "we are looking to a better year, both at home and overseas."

Blue Circle's bid for Armitage is its first move into the sanitary ware market, part of its aim of reducing its dependence in the UK on cement, which has accounted for 90 per cent of its home profits. Mr. Milne said there was a limit to *the cement* industry potential in the UK.

The board of Blue Circle, which is advised by Barings, intends to recommend a final dividend of 8.7p, making 12.5p net for the year, a rise of 19.8 per cent. Accepting shareholders of Armitage, advised by Morgan Grenfell, will be entitled to this final payment, worth 2.9p per Armitage unit.

Midland stake in Chartered placed with consortium

A consortium of institutions put together by W. Greenwell, the stockbroker, has bought the remaining shares held by Midland Bank in Standard Chartered Bank.

Midland's original investment in Standard was 16 per cent but in October last year the bank instructed Cazenove to place the 13.7m shares at 470p.

The placing took place on the day that the Government announced details of its own BP placing and Cazenove was unable to place the last 3.7m shares.

Midland made no secret of its intention to sell the remaining holding, around 4.3 per cent, but said it was in no hurry to make the sale.

Yesterday a spokesman for Greenwell confirmed that it had approached Midland on behalf of a consortium representing a "broad spread of institutions." The price at which the shares changed hands has not been disclosed but is believed to have been somewhat in excess of the *market price at the time of 500p,* valuing the stake at somewhere around £20m.

Following the announcement Midland's shares fell 8p to 358p and Standard Chartered slipped 2p to close at 498p.

The Greenwell spokesman said that the consortium believed Standard to be a good investment. The share price had been depressed for some time by the knowledge that Midland's remaining stake was overhanging the market.

SUPRA PURCHASES PARTS-MOBILE

Supra Group has acquired Parts-Mobile for £395,000, satisfied by 564,286 ordinary shares at 70p per share.

Net tangible assets of Parts-Mobile at December 31, 1978, were £340,768. Sales for 1978 were £715,677 and pre-tax profits amounted to £58,737. Turnover in 1979 was 23 per cent ahead of the previous year and the pre-tax profit *is expected to be* substantially ahead.

The two trading subsidiaries of Parts-Mobile—CJH Plastics and F. Claudet—carry on business of manufacturers of automotive electrical components and accessories.

BERISFORD IN DUTCH COCOA TALKS

S. and W. Berisford, the commodity trader and food merchant, is talking with the Wessanen group of Holland over the possibility of taking a majority stake in a cocoa-processing subsidiary.

Talks are only at a preliminary stage, said Mr. Noel Hanson, a director of Berisford, who declined to comment further on the brief announcement from *the Dutch* company. Berisford already has cocoa trading interests in Holland.

The company which Berisford wants to buy into is Wessanen Cacao BV. News of the proposed move comes just a week after Gill and Duffus Group, the commodity company, said it was planning to buy another Dutch company, Cacaofabriek de Zaan BV, from W. R. Grace of the U.S.

GREENBROOK SEC. BOOSTS ELP STAKE

Greenbrook Securities, an unquoted company controlled by members of the family of Mr. Joseph Green, has acquired a further 52,500 ordinary shares in East Lancashire Paper Group, taking its holding up to 842,500, equal to 11.79 per cent of the equity.

Greenbrook is the parent company of the formerly quoted British Industrial Holdings, which went private in November 1977.

NEWSPAPER MERGER

The Department of Trade has consented to the acquisition by Express Newspapers' wholly-owned subsidiary Express Newspapers Western of Lefpalm, publisher of the Cornwall *Courier, also published under the* name of St. Austell Courier.

U.S. expansion for Reed

Reed International, the paper, publishing and newspaper group, is expanding its business publishing interests in the U.S.

Cahners Publishing Company, U.S. subsidiary of The International Publishing Corporation, Reed's publishing division, has acquired the Kiver Organisation of Chicago.

Kiver which had a turnover of $11m in 1979 is a publishing *and exhibition company, with* three business magazines in the electronics field and promoting 23 exhibitions in the U.S., Europe and Asia.

Cahners ranks as one of the major publishers of business journals in the U.S. and is the largest organiser of exhibitions in that country. In 1978/79 Cahner reported record sales and profits.

In that year the total group trading profit from publishing was little changed at £30.8m compared with £30m. Of this, North America contributed an unchanged £4.4m, on a turnover of £50m (£48m).

W. H. SMITH

The WHS Pension Trust has increased its holding in the "B" ordinary shares of W. H. Smith and Son (Holdings), the newspapers, books and stationery group.

The Pension Trust has acquired a further 275,000 shares *taking its holding up to 5.78m,* representing 8.3 per cent of that class. Both the WHS "A" and "B" shares have voting rights.

A spokesman for the company said yesterday that they took the view that a low commitment should be maintained. The present holding had a value of some £1.8m, compared with a total value of the WHS Pension Fund of around £65m.

In its review of pension funds' solvency, the Occupational Pensions Board recommended that holdings of this kind should not go above 10 per cent of the pension fund.

Approval by Lloyd's 'crucial' says Marsh

By David Lascelles in New York

Marsh and McLennan of the U.S., the world's largest insurance broker, has made clear in a prospectus that approval by the committee of *Lloyd's of London* of a proposal for separating C. T. Bowring's Lloyd's broking interests is crucial to Marsh's £237m bid.

The 140-page draft document will shortly be mailed to Bowring shareholders who are being asked to approve a takeover *which Bowring's Board is hotly* contesting.

In it, Marsh lays out the terms of an informal understanding with Lloyd's which is designed to cope with the Lloyd's rule forbidding outsiders from owning more than 20 per cent of a Lloyd's broker.

Lloyd's will give Marsh nine months to transfer 75 per cent of its shares in Bowring's brokerage subsidiaries to another owner "acceptable to Lloyd's." In other words, Lloyd's *will stretch the rules to allow* Marsh to own 25 per cent of the brokerage business, rather than only 20 per cent, a concession which appears to recognise the enormous importance of Marsh as a source of business for Lloyd's.

Lloyd's has already said that it may modify the 20 per cent ruling in April this year when Sir Henry Fisher's working party reports on its enquiry into self-regulation at Lloyd's.

Marsh says it intends to proceed in a way "which substantially retains the economic benefits of owning such subsidiaries." There is no mention of any understanding, formal or otherwise, with Lloyd's.

The prospectus also reveals details of the talks which led to the breakdown of March and Bowring's earlier attempts to form a business combination.

SHARE STAKES

Tebbitt Group: Mr. P. S. Jackson, a director, acquired 40,000 ordinary.

Magnet and Southerns: Mr. *J. T. Duxbury acquired beneficial* interest in 34,000 ordinary.

● NEWS ANALYSIS — UNIT TRUSTS

Net new money at 17-year low

BY TIM DICKSON

THE NET amount of new money invested in unit trusts last year *reached its lowest point since* 1962. Sales of new units were the third highest ever at £412m — against £530m in 1978 and £437m in 1972 — but in the same period a record number of holdings were cashed in — £354m — *leaving net new investment of* only £58m.

These 1979 statistics released yesterday by the Unit Trust Association accompanied the UTA's usual monthly figures. They showed that sales and repurchases (units cashed in) in the traditionally quiet month of December were the lowest for any month last year, at £23m and £18.9m respectively. This left net new investment at £4.2m, about the monthly average level for 1979.

It is relatively easy to explain the disappointing sales results in 1979. Equities—the bread and butter of the unit trust movement—have been decidedly unattractive since the end of the bull phase which preceded the *election. The political outlook,* in spite of the Government's apparent commitment to private enterprise, has remained uncertain, while the generally high leve of interest rates has increased the appeal of various high return risk-free alternative investments.

While the 1979 sales figures are doubtless worrying, the long-term trends are perhaps more alarming. In the last decade, for example, the unit trust industry has lost out badly in terms of its share of the savings market. Net new investment reached its peak in 1968 at £258m, since when this figure has bobbed up and down, surpassing £200m only twice—in 1972 and 1978.

Repurchases have been rising, *though this is to be expected* given the size of the movement (funds of almost £4bn) and the needs of elderly investors anxious to make use of their savings in retirement.

But unit trusts have not generally been able to attract new money to replace the funds that have been taken out.

This contrasts sharply with the fortunes of other competitors for funds in the savings fields. For example, the net inflow of new funds into building societies in *1972* amounted to £1.8bn, a total which had grown to £4.7bn in 1977, before falling back to £3.3bn in both 1978 and 1979. The value of net new assets acquired by life companies grew from £1.8bn in 1975 to more than £4bn in 1978.

The disastrous bear market of 1973-74 provides the most obvious explanation for the investing *public's* loss of appetite for unit trusts. The 1960s saw the cult of equities at its most popular, with share ownership *providing both a real return* in the form of dividends as well as a seemingly assured capital profit; *1973-74* shattered this image and more than anything else accounts for the high level of repurchases sinee and also for the low level of sales.

Other factors which, particularly recently, have not helped, include the return to the market of guaranteed income bonds. This is one alternative product which assures investors *of a much higher return than equities without the risk of a* capital loss.

Unit trusts have also largely lost out on the public demand for gilt edged management because of the tax treatment of unfranked income. The *unfranked income of authorised* unit trust funds is taxed at 52 per cent, a virtually insurmountable barrier to the launch of this type of vehicle. The demand for gilts management, however, can be seen by the growth of lightly taxed offshore gilt funds over the last couple of years (legally these are companies offering redeemable preference shares but in practice they act like unit trusts).

Another factor which has not helped the stability of unit trust funds has been the growth of "switching" advisers. Switching does not just take place between sectors of the equity market — fixed interest and property, for instance, have been popular alternatives.

Looking forward to the 1980s, unit trust managers are nevertheless full of confidence.

Mr. Cholmeley Messer, chairman of the Unit Trust Association, believes "the Government is doing the *right* thing" and is optimistic because "*it is* a Government which is concerned with seeing that industry is profitable."

Mr. Messer is also hopeful that the Government will in future allow unit trusts to invest in bonds, particularly British *Government securities.* "I believe investors would welcome the opportunity to take advantage of fixed interest expertise," he says.

The ending of controls over unit trust management charges is also welcomed by Mr. Messer and his colleagues in the unit *trust* industry. *He explains,* "it is important that the manager should be able to make money out of running his fund as well as from attracting new money."

Hickson & Welch outlook

WITH TRADING and profits in the first two months of the current year having been *maintained* at essentially the same levels as in the second half of 1978-79, Dr. T. Harrington, the chairman, of **Hickson and Welch (Holdings)** says that in 1979-80 it will be difficult to improve on the previous year's results.

However, he believes that although it is now passing through difficult times, the company has inherent strengths which will stand it in good stead in the future.

As reported January 11, pre-*tax profits of* the *chemicals,* timber products and building materials group were £8.06m (£8.12m) for the year ended September 30, 1979, and CCA taxable profits £2.5[illegible] ([illegible].?9m).

The chairman warns in his annual statement that the high cost of energy will have a further major impact on costs, including some £1m as a result of British Gas having lifted by 46 per cent its contract price to the gorup, for gas for steam raising.

Group turnover in the last full year rose from £71.45m to £85.53m.

The company's competitive situation has been affected by the strength of sterling and the chairman adds that if the present value of the pound is maintained, group exports, particularly to the U.S. and other dollar markets, will continue to be at lower profit margins.

Overall borrowing increased from £4.6m to £9.7m. Though spending on fixed assets in the UK was below forecast at £6.1m, mainly due to a dramatic rise in *raw material prices, overall* working capital was up £5m in the year.

Most major projects have now been completed, and with the present high interest rates, a reduction in capital expenditure is planned this year.

Meeting, Buckingham Palace Road, London, February 14, 11.45 am.

Receivers in at Lexor Electronics

RECEIVERS HAVE been appointed at Coventry-based **Lexor Electronics** but efforts are being made to continue the business and retain the specialist *personnel.*

The receivers, Mr. R. Adkins and Mr. G. Harrison of Thornton Baker chartered accountants, who were appointed at the request of Lexor directors, have already been in contact with potential purchasers and are continuing trading in the hope of achieving a sale on a going concern basis.

Lexor employs 125 people designing and making delay lines for the computer, communications and broadcasting industries as well as *producing* electrical apparatus for laboratories and hospitals. It is also a main contractor to the Ministry of [illegible]

NORTH AMERICAN NEWS

First quarter upturn at Rockwell

BY OUR FINANCIAL STAFF

ROCKWELL INTERNATIONAL the prime contractor for the Space Shuttle Orbiter programme, has opened the year with a 6 per cent gain in earnings, in line with forecasts of a modest improvement over the full year. At the end of the first quatrer, net earnings show a rise from $64.7m to $68.7m, with share earnings at $1.77 against $1.68 last time. Sales put on 9 per cent to $1.56bn.

Mr. Robert Anderson, chairman and chief executive, said higher earnings in the general industries business more than offset somewhat lower earnings in the automotive business, which was attributable mainly to the depressed car and light truck markets.

The aerospace business showed an earnings rise after exclusion from the year-earlier period's results of a gain from a sale of property.

Earnings of the electronics business were about flat, reflecting higher new product development costs.

Increased interest income and gains on equipment dispositions also contributed to the overall earnings improvement.

A depression in the automotive division, which last year turned in some 34 per cent of group earnings, was not unexpected in view of the state of the U.S. industry. But the improvement in the aerospace sector contrasts with previous fears that this sector would be "flat" this year.

Sales have in the past been fairly evenly spread between the aerospace, automotive and electronics sectors, although profit shares were more varied.

The group's commitment to the automotive industry was mirrored in the appointment last year as chairman of Mr. Anderson, who has a background in the industry.

Earnings fall at K mart

TROY — Mr. Robert Dewar, chairman of K mart Corporation said earnings for the fourth quarter, ending January 31, are expected to be lower than last year's $1.27 a share. In the previous year earnings totalled $2.74 a share. In the first nine months of the current year, earnings were $1.69.

December operating results were affected by lower than expected sales during the Christmas season, continuing expense pressures and higher than expected markdowns resulting from unseasonably warm weather.

Reuter

More A & P for Tengelmann

By Our New York Staff

TENGELMANN, West Germany's largest supermarket chain, is to take up its option to increase its stake in the Great Atlantic and Pacific Tea Company (A and P) from 33.4 per cent to 45 per cent. Tengelmann has held these options in the stock of what is one of America's longest established food store groups since last February, when it bought 29 per cent of A and P's stock.

Sales record at Coca-Cola

ATLANTA — Coca-Cola announced that soft drink sales were at record levels, both domestically and internationally, for the fourth quarter and full year 1979.

It predicted continued moderate unit sales growth for soft drinks in the U.S. in 1980 and higher unit growth in foreign markets.

The company's unit sales of soft drinks in the U.S. were up almost 10 per cent during the final quarter of 1979 and for the full year were about 5 per cent higher than in 1978.

Fourth quarter unit sales included some inventory buying by bottlers and wholesalers in anticipation of syrup price increases that became effective in January.

Without the inventory buying, unit sales were more than 5 per cent above the final quarter of 1978, a higher growth rate than that of the industry as a whole.

Reuter

Standard Indiana advance

BY OUR NEW YORK STAFF

STANDARD INDIANA, the first large U.S. oil company to report results for the fourth quarter of 1979, had a predictably sharp earnings increase. Profits reached $368.7m or $2.45 per share, up 70 per cent on the same period last year. Revenue was also up sharply, from $4.3bn to $6.15bn.

As a result, final earnings for 1979 were $1.5bn or $10.23 a share, up 40 per cent on 1978's $7.36. Revenues for the full year were $20.2bn.

Standard said that the higher profits resulted from the continuing strength of its overseas *petroleum operations and its* worldwide chemical business. However, the results for 1979 would have been higher still but for an accounting change relating to crude oil inventories

Videodisc costs cause decline at RCA

BY OUR NEW YORK STAFF

RCA, the leading colour television set maker, broadcasting and vehicle renting group, yesterday reported its second successive quarterly earnings decline—mainly because of big capital investment strains in the development of its videodisc system.

The company posted net income of $70.1m, or 92 cents a share, for the final quarter of 1979, compared with $75.2m, or 99 cents a share, for *the same period of 1978.* Sales for the period were up 7 per cent at $1.85bn.

For the whole of 1979, RCA income rose by 2 per cent to $283.8m on sales of $7.45bn—a 13 per cent increase.

Strong loan demand lifts Continental Illinois

By David Lascelles in New York

CONTINENTAL ILLINOIS, the major Chicago bank, registered a small increase in fourth quarter earnings, helped mainly by strong loan demand.

Profits were $50.3m or $1.29 per share, up $3m on the $47.3m or $1.21 earned in the same period of 1978. Net income for the year was $194m or $4.95, up 15 per cent on $168.7m or $4.51.

Mr. Robert Anderson, chairman, attributed the increases to higher interest income and earnings from non-interest sources. But he gave a warning: "We expect the rate of growth of credit needs will slacken somewhat as the economy levels in 1980."

Uniroyal sets up $75m reserve after closures

BY IAN HARGREAVES IN NEW YORK

UNIROYAL, the third largest tyre maker in the U.S., yesterday announced the closure of two of its five tyre plants with the loss of 3,300 jobs.

In the most dramatic cutback so far by the beleagured U.S. tyre industry, Uniroyal said that it was establishing a $75m reserve to cover the cost of the closures and other losses in its Turkish tyre plant and elsewhere.

Armstrong Rubber, the strongest of the second league U.S. tyre companies, also came forward with cuts yesterday. The Connecticut company said that it was temporarily closing three of its five plants, putting 1,200 people out of work.

The lay-offs mean that the U.S. tyre industry has dismissed or temporarily laid off more than 15 per cent of its 75,000 workers in the past year as it has struggled to survive a slump in U.S. car sales, aggressive competition from imports continued capacity expansion in the U.S. by Michelin of France, and Goodyear.

These pressures, coming on top of the underlying problems created by the U.S. manufacturers' failure to prepare for the switch in preference from cross-ply to radial tyres in the U.S. market, have caused severe difficulties at Uniroyal.

Last year the company sold its European tyre operations, but has continued to lose money on its U.S. tyre business.

It has reported net losses in four of the last seven quarters, showing a loss of $8.6m in the first nine months of 1979. Tyres and related business account for around half of Uniroyal's sales.

The plants to be closed are older units in Detroit and Chicopee Falls, Massachussetts. The latter has a capacity of 25,000 cross-ply tyres a day. Detroit turns out 15,000 tyres a day, of which 2,000 are radials.

Radial tyres are now thought to account for just over half the U.S. tyre sales and this share is expected to go on increasing as American motorists demand better fuel efficiency and longer lasting tyres.

Howard Johnson stays ahead

By Our New York Staff

HOWARD JOHNSON, the U.S. motel chain currently being acquired by Imperial Group of the UK, reported earnings slightly ahead for the last quarter of 1979. Net income was $5.1m or $0.23 a share, compared with $4.8m or $0.22 in 1978. Net for the year reached $34.3m or $1.55 a share, up from $33.6m or $1.53. Sales rose 6 per cent to $588m.

Shareholders in both companies have approved Imps' $630m bid for Howard Johnson and their deal is awaiting the approval of the liquour licensing authorities in a number of U.S. states.

EUROBONDS

Rally uncertain in dollar sector

BY FRANCIS GHILÈS

AS THE PRICE of gold fell by $135 to close in Lodnon at $690 last night and the dollar firmed against all major currencies the dollar sector of the bond market attempted a rally. The results were mixed with some straight dollar bonds posting slight gains but most shed about ⅛ of a point on the day.

End Investors were, as they have been in recent weeks, absent from the market. Essentially hard price movements were the result of dealers passing paper around.

A $25m five-year convertible bond for Sankyo Electric is being arranged through a group of banks led by Daiwa Europe NV. The coupon of 8¼ per cent is high if compared with the 7¾ per cent offered on the $40m 15 year convertible for Ajinomoto which was priced at par by the lead managers, Nikko Securities, Merrill Lynch and Nomura Europe yesterday.

However that issue, which Ross and Partners was quoting at a discount of 3½-2½ points yesterday in pre-market trading has been moving very slowly indeed. With the weakness of the yen and doubts about the future strength of the Tokyo Stock Exchange, many investors felt that such terms were far too tight. The 8¼ per cent coupon offered on the Sankyo Electric issue should ensure a warmer market reception.

In the Swiss franc sector a SwFr 23½m five-year private placement is being arranged for Autopistas Vasco Aragonesa by Handelsbank. This issue carries a coupon of 5¾ per cent and has been priced at par. Elsewhere in the secondary market, prices of Swiss franc bonds shed about ⅛ of a point on the day.

In the Deutsche Mark sector secondary market trading continues at a very low ebb. Prices of foreign D-Mark bonds were virtually unchanged on the day. All eyes will be fixed on the allocations of Carter bonds due to be announced by the Bundesbank this morning.

A LuxFr 250m private placement is being arranged for Westland Utrech Hypobank by Kredietbank Luxembourgeoise. The issue is split in two equal tranches. One tranche matures in three years, the other in five and both carry a coupon of 11 per cent.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on January 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	50	87⅛	88⅛	−1½	−1½	12.16
Alex Howden XW 9½ 94	30	75½	76¼	−0⅛	−0⅝	13.89
Aquitaine Can. 11¼ 85	30	94¾	95¼	−0½	−1⅞	12.66
Australian Res. 9⅞ 84	30	90¾	91¼	−0⅞	−1	12.33
Avco O/S Cap. 10¾ 87	40	81	82½	+0¼	−0⅞	14.41
Beneficial Fin. 9¾ 87	100	87⅛	87⅞	0	−2⅛	12.38
CECA Grad. Rate 12 86	100	95¼	96⅛	−0⅛	−1	12.95
CECA 9¾ 99	125	†79	79½	0	−1	13.03
Canadian Pacific 9¾ 89	50	86⅛	86⅞	−2	−3	12.21
Carter Hawley 9¾ 86	50	87¼	87⅞	−0½	−2⅛	12.67
Comalco Inv. E. 10¾ 91	40	88⅞	89⅜	−0⅛	−1⅛	12.02
Continental Grp. 9⅞ 86	100	88¼	89	−0⅛	−1	12.22
Dome Petroleum 10 94	50	85⅛	85⅞	−0⅛	−3⅛	12.18
Dominion Bridge 10⅞ 84	30	93	93½	+0⅛	−1⅛	12.28
EIB 11¼ 92	80	94½	95	0	−2⅛	12.62
EIB 10 99	150	84⅛	84⅞	+0⅛	−0½	12.43
EIB 10⅛ 87	100	90	90⅜	−0⅛	−1⅛	12.54
EIB 10.15 99	100	83⅛	84⅛	−1⅛	−2⅛	12.74
Ekportfin 11¼ 87	50	95⅛	95⅝	−0⅛	−0⅛	12.27
Export Dv. Cpn. 9⅞ 84	100	90⅜	90⅞	−0⅛	−1⅛	12.27
Export Dv. Cpn. 9⅞ 84	150	91⅞	92⅛	−0⅛	−1⅛	12.04
Finland 9⅞ 89	100	86	86½	−0½	−1⅛	12.47
GTE Finance 9⅞ 89	55	88⅛	89⅛	−0⅛	−1	11.94
GMAC 9⅞ 86	100	86⅞	87⅞	−0⅛	−2⅛	12.24
GMAC O/S Fin. 11 84	100	96⅛	96⅝	−0⅛	−1⅛	12.01
Gould Int. Fin. 9⅞ 85	50	90⅝	91⅛	−0⅛	−1⅛	12.24
ITT Antilles 9½ 89	75	85⅛	85⅝	−1⅛	−1⅛	12.20
Kennecott Int. 9½ 86	100	85	85½	−1⅛	−1⅞	13.04
Manitoba 9½ 89	75	84⅛	84⅝	0	−2⅝	12.44
Michelin 10 94	125	86⅞	87⅛	−0⅛	−1	11.88
Nat. Dés. Télécm. 9½ 86	100	88⅛	89⅛	−1⅛	−1½	12.16
New Brunswick 9¾ 94	75	83⅜	84⅛	−0⅛	−1⅞	12.17
Newfoundland 10 94	50	85⅛	85⅝	−2⅛	−3⅛	12.19
Norges Komm. 9⅞ 99	100	84⅞	84⅞	+0⅛	−0½	12.29
Norway 9½ 84	150	91⅛	91⅝	−0⅛	−1⅛	12.13
Nova Scotia Pwr. 9⅞ 89	50	86	86½	−0⅛	−2⅛	12.29
Occidental Fin. 10⅞ 84	50	93⅝	94⅛	+0⅛	−0⅛	12.10
Orient Leasing 9½ 86	25	88⅛	88⅝	+0⅛	+0⅛	12.18
Pennwalt O/S F. 9¾ 84	25	91	91½	−0⅛	−1⅛	12.43
Pepsico Cap. 9⅞ 84	100	91⅛	91⅞	−0⅛	−1⅛	11.93
Quebec Hydro 10 99	75	82½	83	−1⅛	−3⅛	12.37
Sears Roebuck 9 82	150	93⅝	94	−0⅛	−0⅛	12.61
Statoil 9⅞ 89	100	86	86½	−1½	−2⅛	12.11
Sweden 9⅞ 89	100	86⅛	86⅝	−0⅛	−2⅛	12.24
Sweden 9½ 86	200	89⅞	90½	+0⅛	−0⅛	12.12
Sweden 9⅞ 84	100	92	92½	−0⅛	−1⅛	12.01
Unilever NV 9¾ 87	100	86⅞	87⅛	−0⅛	−1½	11.92
Warner-Lambert 9 84	100	90½	91	−0⅛	−0⅛	11.75

Average price changes... On day −0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	97½	98⅛	+0⅛	−0⅛	8.37
Argentina 7½ 89	150	91⅛	92	−1⅛	−1⅛	8.85
Asian Dev. Bk. 7⅛ 89	100	92⅝	93⅛	−0⅛	−1½	8.33
Bombay O'seas 6¾ 89	100	91½	92	−0⅛	−1⅛	8.04
Brazil 8 87	150	93⅝	94⅛	+1	−2½	9.12
CECA 7 91	150	93⅛	93⅞	+0⅛	−0½	7.89
Council of Eur. 7⅛ 89	100	94⅛	95⅛	−0⅛	−1⅛	8.07
EEC 7½ 94	225	97⅛	98⅛	+0⅛	−0⅛	8.14
EIB 7½ 89	200	96⅛	97⅛	0	−0⅛	8.00
Finland, Rep. of 8 86	150	98⅛	99⅛	+0⅛	+0⅛	8.24
Kobe, City of 7½ 89	150	96⅝	97⅛	0	−0⅛	7.56
Mitsubishi Chem. 6½ 84	70	96⅛	97⅛	−0½	+0⅛	7.33
Nedir. Gasunie 8 86	100	102⅛	102⅞	+0⅛	−0½	7.49
New Zealand 7⅛ 87	200	96	96⅝	+0⅛	−1⅛	7.76
Nippon Kokan 6½ 84	100	94⅛	95	+0⅛	−0⅛	8.05
Nippon Tel. & T. 5½ 87	100	86⅛	86⅞	+0⅛	−1⅛	8.09
Norges Komm. 7⅛ 91	150	99	99⅝	+0⅛	−1½	7.82
Norges Komm. 8⅛ 94	150	100½	101	0	−1⅛	8.17
Norway 6⅛ 84	200	96⅝	97⅛	+0⅛	−1	7.09
OKB 6 87	40	88	89	−0⅛	−0½	8.22
OKB 7⅛ 89	100	96½	97⅛	−0⅛	−0⅛	7.84
Tokyo Elec. Pwr. 6½ 85	200	93⅝	94⅛	+0½	−1⅛	7.99
World Bank 7⅛ 91	400	95½	96⅛	+0⅛	−1⅛	8.31
World Bank 7⅞ 90	250	97½	97⅞	+0⅛	−0⅛	8.23

Average price changes... On day +0½ on week −1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	92½	93	−1½	−1⅛	6.55
Asmar 5 89	60	89⅛	89⅝	−0⅛	−4⅛	6.52
Australia 3⅞ 89	250	91	91½	0	0	4.84
Bergen, City of 4⅞ 91	40	94½	95	−0½	−1⅛	5.37
BNDE 5 89	75	84⅝	85⅛	0	−3⅛	7.28
BMW Overseas 4⅞ 91	100	91½	92	−0⅛	−3	5.21
Caisse Nat. Tele. 4⅞ 89	100	92	93	−1⅛	−3⅛	5.39
Canada 3⅞ 89	300	91⅛	91⅞	−0½	−0⅛	4.78
Copenhagen 4½ 91	60	91⅝	92⅝	−1⅛	−1⅛	5.44
Council of Eur. 5 89	100	95⅛	95½	−0⅛	−0⅛	5.62
EIB 4½ 91	100	85	86	−0⅛	−6⅛	6.31
EIB 4⅞ 94	100	84⅛	85	+1⅛	−2⅛	5.98
Elec. de France 4⅞ 89	100	92⅝	92⅞	−0½	−5	5.36
GZB 4⅞ 89	100	90	90½	−0⅛	−1	5.57
Hilti 4⅞ 91	35	95⅛	95⅝	+0⅛	+0⅛	4.78
ICI Fin. NV 3½ 94	230	79	79⅝	−0⅛	−2⅛	5.69
Int.-Amer. Dev. 4½ 89	100	89⅝	90⅛	−0⅛	−1⅛	5.89
Malaysia 5 89	80	86½	87	−1½	−3⅛	6.91
Nippon Tel. & T. 4⅞ 89	100	93⅛	93⅝	−1⅛	−2⅛	5.16
Nordic Bank 5 89	45	96	96½	−0⅛	−4⅛	5.51
Norges Komm. 4⅞ 91	100	88⅛	88⅝	−0⅛	−3⅛	5.75
OKB 3⅞ 91	100	†82	83	−1	−1⅛	5.94
OKB 4⅞ 91	100	88⅛	89⅛	−0⅛	−0⅞	5.68
Oslo, City of 4⅞ 91	100	88⅛	88⅝	−0⅛	−0⅛	5.76
Shikoku El. Pwr. 4⅞ 89	100	92	92½	−0½	−5½	5.82
Spain 4 91	100	87½	88	+0⅛	+0⅛	5.50
Steweag 4⅞ 91	80	89	89½	−2	−6½	6.07
Voest-Alpine 4⅞ 89	90	91½	92½	−1⅛	−6⅛	5.88
World Bank 4⅞ 89	100	96	96½	−0⅛	−1⅛	5.13
World Bank 4⅞ 89	150	90⅛	90⅞	−0⅛	−3⅛	5.86
World Bank 4⅞ 91	100	90⅛	91	−0⅛	−2⅛	5.74

Average price changes... On day −0⅛ on week −2⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	90⅝	91½	0	0	8.87
Australia 6⅞ 88	20	95⅝	96⅛	0	0	8.98
EIB 7⅛ 89	12	97⅝	98⅛	0	−0⅛	8.01
Finland 5.6 83	10	89⅛	90⅛	0	0	8.89
Finland 6.8 88	10	87⅝	88⅛	0	0	8.88

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10¼ 86 C$	25	87⅛	88½	−0⅛	−0⅛	13.10
Bell Canada 10⅞ 86 C$	60	92½	92⅞	+0⅛	−0⅛	12.41
Cr. Foncier 10⅞ 84 C$	30	90⅛	90⅝	−0⅛	−0⅛	13.19
Ex. Dev. Cpn. 10 84 C$	50	92⅛	92⅝	−0⅛	−0⅛	12.34
Fst. Can. Inv. 10 84 C$	50	90⅝	91½	−0⅛	−0⅛	12.84
Hudson Bay 10½ 89 C$	60	89⅛	89⅝	−0½	−0⅛	12.46
Quebec 10¼ 86 C$	50	90½	91⅛	−0⅛	−0⅛	12.41
R. Bk. Canada 10 86 C$	40	91½	92	−0⅛	−0⅛	11.90
R. Bk. Canada 10 94 C$	40	84⅝	85⅛	−0⅛	−0⅛	12.27
Copenhagen 8⅞ 91 EUA	20	98⅛	99⅛	0	0	8.84
M. Bk. Dnmk. 9 91 EUA	25	96⅛	97⅛	+0⅛	+0⅛	9.48
SOFTE 8⅞ 89 EUA	40	88½	89½	0	−0⅛	10.13
Algemene Bk. 8⅞ 84 Fl	75	97½	98	0	+0⅛	8.84
Amev 8½ 86 Fl	75	97½	98	0	−0⅛	8.95
Ned. Middbk. 8⅞ 84 Fl	75	96⅝	97¼	−0⅛	+0½	9.13
Norway 8⅞ 84 Fl	100	96	96½	0	0	9.37
Norway 8⅞ 84 Fl	100	96	96½	0	0	9.25
Rabobank 9 84 Fl	25	101	101½	0	+0⅛	8.66
Air France 11 84 FFr	120	97⅝	98⅛	0	−0⅛	11.50
Euratom 9⅞ 87 FFr	150	85⅝	86⅝	0	0	12.74
Finland 11 84 FFr	80	95½	96⅛	0	0	12.24
Finland 11½ 89 FFr	70	94½	95⅛	0	0	12.46
Gaz de France 11 84 FFr	150	97⅛	98⅛	0	+0⅛	11.61
IBM France 11⅞ 84 FFr	120	97	97⅛	0	+0⅛	12.61
Renault 9⅞ 85 FFr	100	89⅛	89⅞	0	0	12.59
Saint-Gobain 9⅞ 86 FFr	130	85½	86½	0	0	13.11
Solvay et Cie 9⅞ 87 FFr	125	83	84	+0⅛	−0⅛	13.43
Total Oil 9⅞ 87 FFr	150	83	84	0	0	13.05
EIB 11½ 91 £	25	87⅛	87⅞	−0⅛	−1⅛	13.70
Finance for Ind. 13 91 £	15	95⅞	96⅝	+0⅛	−0⅛	13.65
Fin. for Ind. 12⅞ 89 £	30	94⅝	95⅛	0	−0⅛	13.43
Gen. Elec. Co. 12⅛ 89 £	50	95⅛	95⅞	−0⅛	−0⅛	13.38
Indonesia 8⅞ 91 KD	7	†93½	94	0	0	9.66
Mitsubishi 7½ 84 KD	10	†95⅛	95⅞	0	0	8.69
Norges Kom. 7½ 89 KD	12	†93⅛	93⅞	0	0	8.51
Occidental 8⅞ 91 KD	7	†90⅝	90¾	0	0	9.65
Akzo 9½ 87 LuxFr	500	94⅞	95⅞	0	−0⅛	10.12
Euratom 8 87 LuxFr	500	90⅞	91⅞	+0⅛	+0⅛	9.72
Euratom 9⅞ 88 LuxFr	500	99⅛	100⅛	−0⅛	−0⅛	9.82
Oslo, City of 8 89 LuxFr	500	90⅝	91⅛	+0⅛	+0⅛	9.52
Volvo 9⅞ 87 LuxFr	500	97⅞	98⅞	0	0	10.05

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5⅞ 87	0⅛	97⅞	98⅛	2/7	15⅛	15.41
Banco di Roma Int. 6 87	0⅛	99⅝	100⅛	26/4	15⅞	15.77
Banco Urquijo 6 86	0⅛	97⅛	97⅝	21/3	13⅛	13.72
Bank of Ireland 5⅞ 89	‡0⅛	97⅛	97⅝	21/2	15.89	16.07
Bank of Tokyo 5⅞ 89	‡0⅛	97½	98	25/1	16.19	16.56
Barclays O/S Inv. 5 90	0⅛	97⅛	97⅝	13/6	14⅛	14.62
Bergen Bk. A/S 6 89	‡0⅛	95⅝	96⅛	29/2	14.31	14.93
Bque. Indo Suez 5⅞ 89	0⅛	98⅛	98⅝	11/7	14.69	14.93
Citicorp O/S F. 6 94	‡0⅛	98⅝	99⅛	8/3	14.44	14.60
Citicorp O/S F. 83	§‡0	99⅝	100⅛	23/2	15⅛	15.14
Citicorp O/S F. 84	‡0	99⅛	99⅝	29/2	15	15.08
Co-operative Bk. 6 86	0⅛	97⅝	98⅛	15/5	15.06	15.37
Creditanstalt 5½ 91	§‡0⅛	97⅝	98⅛	14/3	14⅞	15.18
CNT 5⅞ 86	§0⅛	99⅛	99⅞	16/4	15.19	15.24
GZB 5½ 89	‡0⅛	98⅛	98⅞	1/2	16.19	16.41
Jugobanka 8 89	0⅛	92	93	22/5	16	17.30
Ind. Bank Japan 5⅞ 87	0⅛	97⅛	97⅝	15/4	14⅛	14.63
LTCB Japan 5⅞ 86	0⅛	97⅛	97⅞	13/6	14⅛	14.60
LTCB Japan 5½ 89	0⅛	97⅛	97⅝	7/6	14.19	14.57
Mfrs. Han. O/S 5⅞ 94	‡0⅛	98⅛	98⅞	29/2	13.81	14.01
Midland Intl. Fin. 5 89	0⅛	99½	100	20/6	15	15.04
Nacional Fin. 6⅛ 86	0⅛	97½	98	25/1	11½	11.76
Nat. West. 5⅞ 94	§0⅛	97⅞	98⅛	11/4	14.94	15.23
Nippon Cred. Bk. 6½ 86	0⅛	97⅛	97⅞	12/7	14.44	14.79
Royal Bk. Scot. 5⅞ 94	§‡0⅛	98⅛	98⅝	11/4	14⅛	14.85
Soc. C. de Bque. 6½ 87	0⅛	96⅛	96⅝	3/4	13⅛	13.73
Sogenal 5⅞ 89	§0⅛	96⅝	97⅛	13/7	14.44	14.90
Sweden 5⅞ 91	‡0⅛	97⅛	97⅝	18/4	14.44	14.79
TVO Pwr. 9 91 (D-lock)	0⅛	†97⅛	97⅝	24/6	15.31	15.71
Williams & Glyn 5⅞ 91	0⅛	96⅝	97⅛	14/3	13	13.42
Bq. E. d'Alg. 4⅞ 89 SF	0⅛	95	96	18/6	6.69	7.00

Average price changes... On day −0⅛ on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktiebolag 7⅞ 89	10/79	145	†98½	99½	−0⅛	−5.85
Alco Int. Fin. 9½ 94	1/80	40	92½	93½	−0⅛	14.89
Asahi Optical 7 94	11/79	605	92⅝	93⅝	0	8.07
Canon 6⅞ 94	8/79	570	101⅞	102⅝	−0⅛	1.69
Ciba-Geigy O/S F. 4 94	9/79	675	87	88½	0	−1.30
Credit Suisse 4⅞ 93	10/79	1325	110⅛	111⅛	+0⅛	−0.01
Daiei Inc. 6½ 94	11/79	1020	96½	96⅞	−0⅛	7.45
Esselte 7⅞ 89	9/79	159	93	94½	−0⅛	0.10
Honda Motor 5½ 89	5/79	532	105	105⅝	0	1.97
LPC Internatnl. 8 89	9/79	35	108½	109½	+0⅛	1.06
Meidensha Elec. 7 94	12/79	210	91⅝	92⅝	0	15.19
Mitsubishi Cp. 6⅞ 94	10/79	604	122⅛	123⅝	0	6.44
Nippon Seiko 7⅛ 94	12/79	339	93⅝	94⅝	+0⅛	5.41
Nitto Elec. Ind. 6 94	7/79	735	78	79½	0	13.03
Toshiba Cpn. 7⅞ 94	10/79	198	95⅛	96	−0⅛	4.06
Union Bk. Switz. 5 89	2/80	125	111	111⅞	−0⅛	4.68
Fujitsu 5 84 DM	7/79	475	98⅛	99⅛	+1⅛	18.42
Kansai Elec. 4 84 DM	4/79	1234	84⅞	85⅞	−0⅛	49.48
Tokyu Ld. Cp. 4 86 DM	4/79	493	77⅛	78⅛	0	48.21
Uny Co. 6½ 85 DM	11/79	1071	95⅛	96⅛	0	18.16

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

U.S. QUARTERLIES

AMERICAN HOIST	1979 $	1978 $
Fourth quarter		
Revenue	111.1m	96.2m
Net profits	5.5m	4.9m
Net per share	0.96	0.87
12 Months		
Revenue	508.6m	438.6m
Net profits	20.7m	14.6m
Net per share	3.60	2.57

AMERICAN HOME PRODUCTS	1979 $	1978 $
Fourth quarter		
Revenue	937.4m	858.5m
Net profits	99.77m	88.97m
Net per share	0.64	0.57
Year		
Revenue	3.65bn	3.28bn
Net profits	396.04m	348.42m
Net per share	2.51	2.21

AMSTAR	1979 $	1978 $
Second quarter		
Revenue	288.7m	254.7m
Net profits	4m	3.29m
Net per share	0.42	0.34
Six Months		
Revenue	577.4m	539m
Net profits	9.6m	7.39m
Net per share	1.01	0.76

BECTON DICKINSON	1979 $	1978 $
First quarter		
Revenue	221.8m	182.7m
Net profits	16.5m	13.4m
Net per share	0.80	0.66

BOISE CASCADE	1979 $	1978 $
Fourth quarter		
Revenue	725.1m	628.1m
Net profits	36.1m	33.72m
Net per share	1.36	1.25
Year		
Revenue	2.92bn	2.57bn
Net profits	174.92m	135.7m
Net per share	6.52	5.02

BURLINGTON NORTHERN	1979 $	1978 $
Fourth quarter		
Revenue	907.6m	648.7m
Net profits	50m	20m
Net per share	3.68	1.45
12 Months		
Revenue	3.3bn	2.5bn
Net profits	175.6m	114.5m
Net per share	13.11	8.52

CAROLINA POWER AND LIGHT	1979 $	1978 $
Fourth quarter		
Revenue	225.1m	206.5m
Net profits	31.18m	28.75m
Net per share	0.57	0.55
Year		
Revenue	925.9m	903.4m
Net profits	153.2m	142.7m
Net per share	3.06	3.10

COMPUTER SCIENCES CORP.	1979 $	1978 $
Third quarter		
Revenue	113.1m	87.7m
Net profits	6.04m	4.01m
Net per share	0.46	0.30
Nine months		
Revenue	318.1m	244.8m
Net profits	16.46m	11.88m
Net per share	1.23	0.89

CONSOLIDATED EDISON	1979 $	1978 $
Fourth quarter		
Revenue	857.0m	707.6m
Net profits	69.58m	55.72m
Net per share	0.94	0.72
Year		
Revenue	3.3bn	3.0bn
Net profits	323.91m	309.57m
Net per share	4.51	4.29

CORNING GLASS WORKS	1979 $	1978 $
Fourth quarter		
Revenue	322.6m	301.1m
Net profits	20.27m	22.1m
Net per share	1.15	1.25
Year		
Revenue	1.42bn	1.25bn
Net profits	124.94m	104.36m
Net per share	7.05	5.89

DILLON COMPANIES	1979 $	1978 $
Second quarter		
Revenue	504.0m	450.1m
Net profits	5.6m	7.93m
Net per share	0.35	0.49
Six months		
Revenue	991.4m	876.5m
Net profits	12.04m	16.25m
Net per share	0.75	1.01

DONALDSON LUFKIN	1979 $	1978 $
Fourth quarter		
Revenue	99.1m	76.3m
Net profits	1.1m	262,000
Net per share	0.12	0.03
Year		
Revenue	329.9m	248.1m
Net profits	3.8m	2.5m
Net per share	0.43	0.30

DREXLER TECHNOLOGY	1979 $	1978 $
Third quarter		
Revenue	4m	3.2m
Net profits	330,000	205,000
Net per share	0.22	0.14
12 Months		
Revenue	12.2m	12.3m
Net profits	904,000	591,000
Net per share	0.60	0.40

ETHYL CORPORATION	1979 $	1978 $
Fourth quarter		
Revenue	431.1m	379.2m
Net profits	22m	20.1m
Net per share	1.10	1.04
12 Months		
Revenue	1.66bn	1.42bn
Net profits	97.5m	82.7m
Net per share	4.94	4.24

FIRST BANK SYSTEM	1979 $	1978 $
Fourth quarter		
Net profits	26.16m	24.76m
Net per share	1.68	1.66
Year		
Net profits	103.34m	90.65m
Net per share	6.91	6.08

FLORIDA POWER AND LIGHT	1979 $	1978 $
Fourth quarter		
Revenue	501.9m	407.4m
Net profits	64.14m	56.19m
Net per share	1.35	1.20
Year		
Revenue	1.93bn	1.65bn
Net profits	204.67m	211.24m
Net per share	4.22	4.54

HARRIS CORPORATION	1979 $	1978 $
Second quarter		
Revenue	278.7m	240.0m
Net profits	17.1m	14.4m
Net per share	0.65	0.56
Six months		
Revenue	525.7m	458.6m
Net profits	33.3m	28.0m
Net per share	1.27	1.10

HERCULES	1979 $	1978 $
Fourth quarter		
Revenue	596.0m	507.0m
Net profits	26.8m	24.8m
Net per share	0.60	0.57
Year		
Revenue	2.35bn	1.95bn
Net profits	172.5m	103.3m
Net per share	3.89	2.38

HILTON HOTELS	1979 $	1978 $
Fourth quarter		
Revenue	138.8m	119.8m
Net profits	23.85m	18.73m
Net per share	0.90	0.72
Year		
Revenue	527.6m	451.1m
Net profits	90.45m	67.59m
Net per share	3.43	2.62

INA CORPORATION	1979 $	1978 $
Fourth quarter		
Revenue	1.21bn	1.06bn
Net profits	63.9m	56.4m
Net per share	2.48	2.22
Year		
Revenue	4.55bn	4.03bn
Net profits	244.6m	211.4m
Net per share	9.51	8.37

FRED S. JAMES	1979 $	1978 $
Fourth quarter		
Revenue	42.6m	36.1m
Net profits	5.19m	4.55m
Net per share	0.66	0.54
Year		
Revenue	165.6m	143.0m
Net profits	24.89m	18.44m
Net per share	3.12	2.16

KIMBERLEY-CLARK	1979 $	1978 $
Fourth quarter		
Revenue	568.9m	490.7m
Net profits	36m	35.4m
Net per share	1.54	1.51
Year		
Revenue	2.22bn	1.91bn
Net profits	314.4m	148.8m
Net per share	13.43	6.36

MCI COMMUNICATIONS	1979 $	1978 $
Third quarter		
Revenue	37.8m	24.7m
Net profits	1.87m	0.98m
Net per share	†0.05	0.03
Nine months		
Revenue	100.9m	67.9m
Net profits	4.31m	2.07m
Net per share	†0.04	0.06

† Loss

MERCK	1979 $	1978 $
Fourth quarter		
Revenue	629.6m	529.8m
Net profits	81.70m	71.95m
Net per share	1.08	0.95
Year		
Revenue	2.38bn	1.98bn
Net profits	381.77m	307.53m
Net per share	5.06	4.07

NORFOLK AND WESTERN	1979 $	1978 $
Fourth quarter		
Revenue	378m	351.1m
Net profits	57.1m	96.1m
Net per share	1.83	3.08
12 Months		
Revenue	1.5bn	1.1bn
Net profits	198.6m	165.2m
Net per share	6.36	5.29

PACIFIC GAS AND ELECTRIC	1979 $	1978 $
Fourth quarter		
Revenue	1.24bn	1.07bn
Net profits	75.72m	95.55m
Net per share	0.71	0.95
Year		
Revenue	4.37bn	3.57bn
Net profits	365.94m	317.11m
Net per share	3.55	3.18

PARKER-HANNIFIN	1979 $	1978 $
Second quarter		
Revenue	250.3m	209.1m
Net profits	13.7m	13.1m
Net per share	0.94	0.91
Six Months		
Revenue	485.1m	400.5m
Net profits	24m	21.8m
Net per share	1.65	1.51

RAYTHEON	1979 $	1978 $
Fourth quarter		
Revenue	986.2m	854m
Net profits	48m	37.7m
Net per share	1.53	1.21
12 Months		
Revenue	3.73bn	3.24bn
Net profits	197.2m	150m
Net per share	6.30	4.83

SCM	1979 $	1978 $
Second quarter		
Revenue	472.7m	430.2m
Net profits	11.1m	11.3m
Net per share	1.15	1.20
Six Months		
Revenue	944.2m	844m
Net profits	25.8m	21.7m
Net per share	2.66	2.32

SPERRY CORPORATION	1979 $	1978 $
Third quarter		
Revenue	1.19bn	1.04bn
Net profits	68.44m	57.13m
Net per share	1.89	1.62
Nine months		
Revenue	3.4bn	2.99bn
Net profits	189.62m	154.57m
Net per share	5.28	4.39

TEXASGULF	1979 $	1978 $
Fourth quarter		
Revenue	220.3m	170.9m
Net profits	44.18m	15.0m
Net per share	1.32	0.41
Year		
Revenue	789.3m	602.3m
Net profits	136.87m	50.11m
Net per share	4.05	1.33

U.S. BANCORP	1979 $	1978 $
Fourth quarter		
Net profits	12.9m	11.5m
Net per share	0.91	0.81
Year		
Net profits	51.9m	45.7m
Net per share	3.65	3.21

PUBLIC NOTICES

BARNSLEY METROPOLITAN BOROUGH COUNCIL
£1.2m bills issued 23.1.80 at a rate of 15[illegible]% to mature 23.4.80. Total applications were £5.3m and there are £2.6m bills outstanding.

CARDIFF CITY CORPORATION BILLS
£1,000,000 Bills issued 22nd January, 1980, at 15 51/64% to mature 22nd April, 1980. Applications £11,000,000. None outstanding.

SOMERSET COUNTY COUNCIL
£1.5m bills issued 23.1.80 at a rate of 15[illegible]% to mature 23.4.80. Total applications were £14.5m and there are £1.5m bills outstanding.

LEGAL NOTICES

Company Number 1199417
Registered in England
In the Matter of The Companies Acts, 1948 to 1967 and in the Matter of QUAYPORT LIMITED.
Registered Office: 12 Portland Terrace, Southampton. Business Address: Alleyn House, Carlton Crescent, Southampton.
NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a MEETING of the CREDITORS of the above-named Company will be held at Guildhall House, 81-87, Gresham Street, London, E.C.2, on 8th February 1980 at 11.30 a.m. for the purpose mentioned in Section 294 et seq of the said Act.
Dated this 17th day of January 1980.
By Order of the Board.
R. FELTON, Director.

COMPANY NOTICES

ROYAL BANK OF CANADA

Dividend No. 370
NOTICE IS HEREBY GIVEN that a Dividend of 60 cents per share upon the paid-up capital of this bank has been declared for the current quarter and will be payable at the Bank and its branches on or after February 22nd, 1980 to shareholders of record at the close of business on January 24, 1980.
By Order of the Board.
R. A. UTTING.
Executive Vice President and Chief General Manager.

Companies and Markets — INTERNATIONAL COMPANIES and FINANCE

ELECTROLUX BID FOR GRÄNGES

Adding value to the product range

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

ELECTROLUX'S takeover bid for Gränges carries the personal stamp of Mr. Hans Werthen, the most dynamic Swedish industrialist of the past decade. First as managing director, then as chairman, he has pushed Electrolux into the top league among the world's household appliance manufacturers by one takeover after another.

In 1977, Mr. Werthen added the chairmanship of the crisis-ridden Gränges steel, mining and metals group to his responsibilities. Together with a new managing director, Mr. Bo Abrahamsson, he turned a 1977 pre-tax loss of SKr 791m ($190m) into earnings last year of around SKr 100m.

Both Mr. Werthen and Mr. Abrahamsson are regarded as belonging to the "Wallenberg" stable, the small group of Swedish business leaders who grew up under the wing of Dr. Marcus Wallenberg, the banker and industrialist and dominating personality of post-war Swedish industry.

The proposed acquisition of Gränges is rather different from Mr. Werthen's previous takeovers in that it represents a vertical integration rather than a sideways move to grab a larger market share.

At yesterday's press conference both he and Mr. Abrahamsson put the merger into context of the industrial problems Sweden faces in the 1980s. In addition to the normal integration benefits and some financial advantages, the fusion of the two groups would help stimulate the industrial growth the country needed. It would promote the move towards products with a greater degree of added value.

The Electrolux bid comes after the dividendless years for Gränges shareholders. Electrolux intends to seek exemption from capital gains tax for those shareholders who have held their shares for more than two years. The debentures can be converted into Electrolux B shares, whose voting rights are one-thousandth of the A shares, which carry one vote each.

This means that the 49 per cent share of the voting rights in Electrolux held by ASEA, the Swedish heavy electrical engineering and nuclear power group, will be only marginally reduced.

Electrolux's offer is conditional on central bank approval of the debenture loan and on Gränges obtaining permission to cancel the so-called alien ownership clause in its Articles of Association. This clause, which applies only to the "A" shares, is a relic from the days when the company mined gold and under Swedish law foreigners were excluded from ownership of gold mines. Neither condition is expected to provide an obstacle to the merger.

Representing a conventional move towards vertical integration, the offer for Gränges differs significantly from the recent run of acquisitions by Electrolux

For Electrolux shareholders, who might fear dilution of the value of their holdings through a connection with Gränges, the move has been sweetened by the announcement that their company will show pre-tax earnings of SKr 825-850m for 1979 account, higher than the SKr 800m forecast in September and well ahead of the SKr 677m achieved in 1978.

The Board proposes to raise the dividend by SKr 1.25 to SKr 7.50 a share and offer shareholders a one-for-four bonus in "B" shares, raising capital by SKr 241m to SKr 1.2bn.

Electrolux will be able to make use of tax losses of over SKr 1bn which Gränges accumulated over the years 1976-78. Integration of the two companies could also offer some asset selling opportunities.

The most prominent of recent Electrolux takeovers have been the acquisitions of National Union Electric Corporation of the U.S. in 1974, the Martin group operating in France, Belgium and Switzerland in 1975, the French TORNADO company in 1976, Sweden's Husqvarna in 1978 and the American Tappan appliances company last year.

Under Mr. Werthen, Electrolux sales have developed from SKr 1.87bn in 1970 to an estimated SKr 14bn last year while the adjusted net return has risen from SKr 2.85 a share in 1970 to SKr 17.10 a share in 1978. In only one year during the 1970's did Electrolux fail to improve its pre-tax earnings. Dividend has ben raised each year.

Gränges expects to show a SKr 100m pre-tax profit on a SKr 5.1bn turnover for 1979. Group sales are almost exactly the same as in 1975 before the company plunged into decline with the world steel crisis, but from 1977 onward Gränges has gone through a thorough restructuring process.

It has disposed of its steel, mining, stainless steel and shipping operations and switched to the production of non-ferrous metals and engineering in which it has made some takeovers of its own.

Its next move must be expansion abroad, in Mr. Abrahamsson's view. To achieve this it must cut manufacturing costs, produce in longer series and develop new products in closer conjunction with customers. This, Mr. Abrahamsson argues, can be more quickly achieved in collaboration with Electrolux.

Electrolux, having reached a substantial production volume in finished products, needs to move into semi-finished fabricates, taking from Gränges some of the tubes, aluminium sheet and profiles and other metal products which it currently buys from other suppliers.

BASF lifts capital spending to DM 1.85bn

By Kevin Done in Frankfurt

BASF, one of the big three West German chemical groups, is planning to increase capital expenditure this year by nearly 8 per cent to DM1.85bn ($1.07bn).

As in 1979, some 70 per cent of the investment will be made in Germany. There will be a slight decline in the amount to be spent in other European countries—from 13 per cent to 11 per cent of the total—while a further 19 per cent will be spent to expand activities outside Western Europe.

The largest single construction project in progress, the building of a 300,000 tonnes-a-year ethylene plant at Ludwigshafen, BASF's huge chemicals complex by the Rhine, should be finished by the end of the year.

At a cost of some DM400m ($231m), it will boost BASF's capacity for ethylene at Ludwigshafen to 450,000 tonnes a year. Ethylene is the most important basic petrochemical and is used in the manufacture of a wide range of chemicals, from plastics and paints to detergents and anti-freeze.

As part of the further expansion at Ludwigshafen, BASF is starting work this year on building a DM 220m ammonia plant, which will have a capacity for producing 370,000 tonnes of nitrogen a year. (Current nitrogen capacity at the site is 800,000 tonnes a year.)

In addition BASF is planning a 270,000-tonnes-a-year benzene plant at Ludwigshafen or at its refinery site across the Rhine at Mannheim. This plant is expected to cost DM 140m.

Work should finish this year at Ludwigshafen on another big plant, a 150,000-tonnes-a-year ethylene oxide plant. BASF's deep involvement in basic petrochemicals and in oil refining (through its subsidiary Wintershall) helped it to boost sales in the first nine months of 1979 by 21 per cent. Demand was helped by rising oil prices and the uncertainty over crude oil supplies. BASF itself is spending DM 40m this year on energy-saving measures.

Outside West Germany the main concentration of investment will be in Belgium—as BASF's large chemicals complex at Antwerp—and in Spain, the U.S. and Brazil.

BASF sales in North America are expected to total $1.6bn for 1979 and capital expenditure in the U.S. this year is likely to exceed DM250m. Most of the money will go on expanding production of intermediate chemicals for the manufacture of polyurethane, and on plants for making ethylene oxide, plasticisers and audio-video products.

In Brazil nearly DM 200m is being spent. Some plants are already under construction and others are being planned for 1980.

Profit rise at Oerlikon Buehrle

ZURICH — Group net profit and turnover of Oerlikon Buehrle rose in 1979 from 1978's SwFr 227.9m and SwFr 3.37bn respectively, Mr. Dieter Buehrle, chairman, said yesterday. However, the ratio of net profit to turnover was lower than in 1978, he said. He gave no figures.

Mr. Buehrle said that further acquisitions in the U.S. could be expected following last year's takeover of the Notch and Merryweather machine tool producer. Fresh acquisitions would not necessarily be in the machine tools sector, he said.

Apart from Notch and Merryweather, the group's turnover in the U.S. increased by about 15 per cent in 1979 from the SwFr 70m recorded in 1978, he said.

The group's U.S. activities contribute about 10 per cent to consolidated turnover, and more is to be expected, he added.

Mr. Buehrle said that he continues to regard the future development of sales and profit in the U.S. machine tool industry as positive.

Reuter

Fiat's 1979 results hit by labour unrest

BY PAUL BETTS IN ROME

A MARKED improvement in the financial position at Fiat, Italy's largest private enterprise employing some 360,000 people, is only partial compensation for the group's disappointing trading performance last year.

In a report to shareholders, Sig. Giovanni Agnelli, Fiat chairman, said yesterday that the group's two major manufacturing activities in the car and commercial vehicles sectors had reported unsatisfactory results for 1979.

This was reflected in a 14 per cent increase in group turnover compared to a current annual Italian inflation rate of 20 per cent. Fiat's overall turnover rose from L13,135bn to L15,250bn ($19bn).

However, Fiat's financial position had "continued to improve," with the parent company's net credits totalling L1,465bn at the end of December against L775bn at the end of December, 1978.

Despite the disappointing performance of its car and commercial vehicles sectors, Fiat Spa, the parent company, is again expected to return an unchanged dividend of L185 per share this year. The company is also expected to report a profit—in 1978 a profit of L65bn was made.

The car sector, which accounts for about a third of annual revenues, was hit by severe labour unrest last year, depriving the company of the opportunities offered by the increase in market demand during 1979, Sig. Agnelli said.

Output from Fiat car manufacturing plants effectively declined last year to 1.32m vehicles or 3,000 fewer than the previous year. According to Sig. Agnelli, this was not sufficient to meet demand from the main European markets, including Britain, France, West Germany and Italy.

In Italy, where the market increased by 6 per cent last year, Fiat sales in volume terms grew by only 4 per cent, largely as a result of resorting to stocks and to models produced abroad under Fiat licence.

Fiat's share of the domestic car market was further reduced by two points to 51 per cent, opening the way for the increased penetration of foreign car sales in Italy. It also lost ground to its competitors, with its Italian export sales dropping by 2.5 per cent. In commercial vehicles, production increased by barely 0.7 per cent, confirming the general recession of this sector.

In his letter to shareholders, Sig. Agnelli said that there was an urgent need to improve productivity at Fiat plants if the group was to maintain competitiveness.

The chairman's letter also disclosed details of the performance of Fiat's other main manufacturing sectors. Volume sales of Fiat tractors increased by 2.4 per cent to 64,225 vehicles. Fiat-Allis construction machinery equipment volume sales rose by 3.6 per cent to 10,216 and the steel sectors sales revenue rose by 23.3 per cent to L1,424bn.

In the components sector, sales revenue rose by 20 per cent to L1,400bn, while civil engineering turnover totalled about L1,000bn.

Lucerne aquisition by Geneva bank

BY JOHN WICKS IN ZURICH

THE Geneva-based Bank Credit Commercial de France (Suisse) has acquired the entire share capital of Treuhand-bank of Lucerne. Treuhand-bank, whose Lucerne and Zurich offices are to become branches of Credit Commercial, was founded in 1970 and specialises in securities and portfolio management activities. With a capital of SwFr 3m ($1.8m), the bank had a balance-sheet total of SwFr 24m at the end of 1978.

The Geneva bank is fully owned by Credit Commercial de France, one of France's leading private enterprise banking groups, and itself has a balance-sheet total of over SwFr 600m, with a capital of SwFr 50m. Early last year, it acquired control of the Swiss bank, Banca di Credito Commerciale e Mobiliare, with headquarters in Lugano and a branch in Locarno.

NET PROFITS of Guyerzeller Zurmont Bank, of Zurich and Geneva, rose to SwFr 5.51m ($3.44m) last year compared with SwFr 4.83m in 1978 despite a fall in its balance-sheet total from SwFr 194.7m to SwFr 175.5m. The Board recommends distribution of an unchanged dividend of SwFr 260 per share on capital of SwFr 5m. The bank is an affiliate of the Midland Bank group.

U.S. changes in tax regulations may integrate dollar bond markets

BY OUR EUROMARKETS STAFF

THE PROBABLE removal of U.S. withholding tax on interest payments to foreigners will open up the U.S. bond market to foreign investors, and even out differentials between the domestic and Eurodollar bond markets, Mr. Michael Coles, partner in charge of international investment banking at Goldman Sachs, told the Financial Times Euromarkets in the 1980s conference yesterday.

"Just before Christmas, the Senate Finance Committee voted to remove this tax," Mr. Coles explained.

"The House Ways and Means Committee will hold hearings on this in the next few weeks, and if the House approves and a House/Senate conference agrees, a bill to remove the tax will be available for the President's signature around May of this year.

"The Treasury is for it, the Administration is for it and all of those who have any dealings in our securities market are solidly behind it," he said.

"Eurobond investors will have a dramatically broad choice of fixed-income securities, and U.S. corporate and governmental issuers will have access to all markets around the world without having the need to go through special financial subsidiaries to do so."

Mr. Peter Hoffman, vice president of the corporate finance division of Swiss Bank Corporation, foresaw a "spluttering" performance in bond markets this year. It would not be easy to persuade private investors to channel more funds into the fixed rate segment of dollar-denominated bonds. The major financing role would again be played by banks, which would again mean that Floating Rate Notes would be much in evidence.

He did not foresee any lessening in the competition in bond markets, or the tendency to regard Eurobonds as "loss leaders." Many changes are needed, but he doubted that technical moves would reduce competition.

Mr. Hoffman also said that he looked forward to a greater number of Eurobond issues being "rated," as is customary for issues in the New York bond market. Such a development would help to improve liquidity in secondary market trading, especially for higher quality issues

FINANCIAL TIMES EUROMARKETS IN THE 1980's CONFERENCE

The case for stepping up Euromarket regulation because of lack of control over national money supplies or global liquidity does not appear convincing, Mr. Erik Hoffmeyer, governor of the Danish National Bank, told the conference.

He pointed out that attention had been drawn to the prudential aspects of Eurocurrency lending because of the large borrowings by some countries over the last couple of years, and that some kind of control measures through consolidation efforts had already been introduced.

But he said that it was doubtful whether — if regulations such as reserve requirements on Eurocurrency deposits were in fact introduced — the ensuing reduction in liquidity would be desirable.

This was particularly because of the re-emergence of large current account balance of payments deficits. "It is important not to destroy markets or significantly limit their size at a time when it is not easy to imagine realistic alternatives to deficit finance through the international banking system."

Mr. Hoffmeyer added that the Euromarket was no mystery, outside the influence of national policies. Rather it was highly integrated with national markets. It was thus meaningless to consider the Euromarket's liquidity effects and other influences—for instance, its effect on foreign exchange movements—as if they were separate phenomena, he said.

Mr. M. S. Mendelsohn, assistant editor of The Banker and European staff correspondent for the American Banker, saw no need for control of Euromarkets. He said that there was no evidence that the Euromarkets were more dangerous than other forms of lending, and pointed out that banks involved in this market had suffered relatively smaller losses than they had experienced on domestic operations and in foreign currency trading.

There had been fears that Euromarket operations required excessive maturity transformation. But he stressed that this was the essence of banking, and without it banks would be acting merely—"as cloakroom attendants for money."

Giving the view of the lesser developed countries, the Hon. Cesar E. Virata, Minister of Finance for the Philippines, told the conference on Monday evening that the LDCs could respond and adjust to the problems posed by high world inflation and an economic slowdown by the industrial nations.

But he called for adjustment by both borrowers and lenders. LDCs, he said, should adjust by introducing energy conservation programmes and by looking at the flow of capital goods imports. LDCs export earnings were increasing, he pointed out, and their reserves had built up, but he emphasised that they should watch the margins between their currency earnings and overseas debt service payments.

Their economies should slow down, too, but he asked for symmetry in the adjustment process. There must be better links between private and official finance systems, and the "conditionality" terms must be made more acceptable to borrowers. Private banks, whose capital risk ratios were nearing the ceiling should share risks with multilateral lending agencies.

In the long run, West Germany's trading partners will have not alternative but to maintain stable exchange rates with the D-Mark, explained Mr. Andre Szasz, executive director of the Nederlandsche Bank, the Dutch central bank.

Economic policy co-ordination among the Common Market countries clearly had its limits, partly because of political obstacles at home. The variations in member countries' inflation rates, for instance, raised doubt over the feasibility of stabilising exchange rates within a scheme such as the European Monetary System.

Despite these factors, there was no alternative to "stable but not too frequently adjustable" exchange rates in Europe, because of the risks that Germany's trading partners would promote inflation by depreciating against the D-Mark.

Even the U.S. had learnt the lesson of a "vicious circle" linking currency weakness and imported inflation. If this was the experience of a country in which foreign trade made up merely 7 per cent of GNP, it was even more the case among the European economies—especially the small, highly indexed ones—where foreign trade made up one third to one half of GNP, Mr. Szasz said.

Mr. Armin J. Mattle, managing director, Union Bank of Switzerland (Securities), closed the conference with a note of agreement with the consensus of opposition to outside control of the Eurobond market. He pointed out, however that the level of inter-bank competition generally has to be lowered.

Discounts offered on bond issues, he reminded delegates, were sometimes well in excess of selling concessions. The so-called "grey market" facilitated and encouraged discount sales, and really only reflected the price and size of the weakest syndicate members, he claimed. It lead to bargaining by "greedy portfolio managers." He said that he was discussing plans with other lead managers designed to force minority syndicate members to observe the discipline required in the market.

INTNL. COMPANIES and FINANCE

First-half advance for Dai Nippon

BY YOKO SHIBATA IN TOKYO

DAI NIPPON Printing, Japan's largest printing company, has reported record earnings for the first half to November 30, 1979, thanks to brisk demand for commercial printing. The company's operating profits went up by 19.3 per cent to Y17.6bn, while net profits rose by 27 per cent to Y8.66bn ($36m).

Sales advanced by 12.3 per cent to Y206.85bn ($858m). Interim profits per share were Y20.03, compared with Y16.64 a year ago.

Sales of commercial printing, centring on electronic precision products for electric appliances and for the automobile industry, fared well; up 11.7 per cent to account for 40.3 per cent of the total; sales of cartons and flexible packaging also went up strongly (by 16.9 per cent) to account for 41.2 per cent of total sales, while sales of books and periodicals advanced by 4.6 per cent to account for 18.5 per cent of the total.

The company's sound financial position enabled it to benefit from a rise in interest rates. The financial balance (interest and dividends received minus interest and dividends paid) was Y1.5bn, a Y375m improvement from last year. The company's owned capital ratio was 51.45 per cent.

For the current half-year ending on May 31, 1980, Dai Nippon Printing expects continuing strong demand for commercial printing products, but oil-related cost increases are expected to squeeze earnings.

For the full year ending next May, operating profits are expected to reach Y35.5bn, up 15 per cent on last year. Net profits will be some Y17.5bn, up 15 per cent. Sales should reach Y414bn, up 10.7 per cent over the previous full year.

Itoh seeks to extend Eurobond

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

C. ITOH AND CO., the Japanese general trader, is seeking to extend the maturity date of a SwFr 60m private placement floated five years ago, in order to avoid the heavy exchange loss it would incur if the bond were allowed to mature this spring.

The exchange loss would result from a depreciation of 80 per cent in the value of the yen against the Swiss franc since early 1975. Because of this, C. Itoh would have to pay out Y2.1bn ($8.8m) more to redeem the bond than it received by converting it into Japanese currency at the time the issue was floated.

The Swiss underwriter of the C. Itoh placement, Swiss Bank Corporation, confirmed yesterday that it was willing to "investigate the possibilities" for such an extension, but explained that the technicalities of doing this still had to be sorted out. On the one hand, the terms of the extension have to be acceptable to the investors who purchased the C. Itoh paper, while on the other the Japanese authorities must be satisfied with the arrangement. The alternative, a straight Swiss franc refinancing, would require C. Itoh to book the loss which it has incurred on the original borrowing.

C. Itoh and Co was not the only Japanese company to make a Swiss franc-denominated issue in 1975, and which may now have an interest in extending the maturity period of its bond. Three other Swiss franc-denominated Japanese corporate bond issues which are due to mature in the next year could also be candidates for extension.

Expansion plans at Middelburg Steel

BY BERNARD SIMON IN JOHANNESBURG

MIDDELBURG STEEL South Africa's only stainless steel producer, has announced a R127m (£155m) expansion programme which will make South Africa almost self-sufficient in stainless steel. Middelburg is a subsidiary of the industrial ano mining conglomerate, Barlow Rand.

The expansion will take place at the company's Southern Cross steel plant in the Eastern Transvaal, and will include continuous casting facilities and hot and cold strip mills. The project is due for completion by the end of 1981.

The expanded stainless steel plant will have a capacity of 200,000 tons a year, but a shortage of melting facilities will initially restrict annual production to 65,000 tons. Current output is around 23,000 tons. The company says that further extension to the meltshop will be made "as and when opportunities arise."

The new facilities will be funded mainly by shareholders' contribuations of R47m, a loan from the Industrial Development Corporation of R60m, and suppliers credits.

Local stainless steel demand has been growing steadily in the past year or two. Middelburg is supplying large tonnages for the SASOL oil-from-coal plants, and will benefit substantially from various other infrastructure projects announced recently. In addition, the company sees appreciable growth in the market for cold-rolled steel, which is used mainly in consumer products.

Middelburg says the expansions will also help satisfy its established export distribution network. Exports at present account for about 35 per cent of production, but are very small in international terms.

The stainless steel project comes on top of several others now under construction, which aim to lower South Africa's dependence on imports of strategic materials. These include plants to manufacture synthetic rubber, low density polyethylene, diesel engines, gearboxes, and of course oil. The additional local stainless steel production will save the country an estimated R70m a year in foreign exchange.

Recovery at Reckitt Australia

By John Rogers in Sydney

THE LARGE UK-controlled diversified household products group, Reckitt and Colman Australia, staged a second-half recovery to boost profit from A$12.74m to A$15.06m (U.S.$16.7m) in the year to October 31.

Aided by the introduction of several new product ranges, the group pushed sales ahead by 14 per cent from A$151m to a record A$172m. Interim earnings were ahead by only 7 per cent, while second-half profit advanced by 18 per cent.

The final dividend is lifted from 6.75 cents to 7 cents a share which, with the interim payment of 6.5 cents, against 6.25 cents, lifts the total distribution from 13 cents to 13.5 cents a share.

It is also intended that the final dividend will apply to new bonus shares to be issued in the ratio of two-for-nine. This, effectively, lifts the return in shareholders' hands to 16 per cent.

Mr. I. R. L. Harper, the chairman, said the results "reflected a very satisfactory performance in an economy where government policy correctly continued to focus on control of inflation, and in which there had been no consistent resurgence of consumer spending. The group's growth rate had, as anticipated at the half year, recovered in the full-year's results."

The profit was after tax of A$10.4m, against A$9.8m, depreciation of A$2.8m, against A$2.5m and interest charges of A$1.1m against A$1.0m.

Board changes at Ansett

By Our Sydney Correspondent

MR. RUPERT MURDOCH, chief executive of The News Corporation Holdings, and Sir Peter Abeles, chief executive of Thomas Nationwide Transport, have been appointed joint managing directors of Ansett Transport Industries (ATI).

Yesterday's announcement followed Sir Reginald Ansett's resignation as managing director of the airline and transport group that he founded nearly 50 years ago. Sir Reginald will remain as ATI chairman.

The move was widely expected as The News group now holds just on 50 per cent of ATI's capital—with Mr. Murdoch already running the company as chief executive—while Sir Peter's TNT group, which has a 23 per cent stake, has launched a takeover offer for the remaining capital, excluding The News group's interests. This bid has been recommended by the Ansett board.

Sir Reginald has sold his major shareholdings in the company, amounting to 1,015,525 shares, to Mr. Murdoch. He retains only 7,746 shares as a director.

Gold rush hits HK exchange

By Anthony Rowley in Hong Kong

THE HONG KONG Chinese Gold and Silver Exchange started to close half-an-hour earlier each afternoon, from Monday to enable it to cope with the paperwork arising out of the current hectic trading.

Hong Kong is one of the world's busiest gold markets. Strong buying by overseas Chinese interests in South East Asia and some flight capital from Thailand has helped to boost trading. The exchange does not publish turnover figures, but the volume is thought to be well in excess of 1m ounces a day at present.

Afternoon trading hours at the Exchange will now be from 14.30 hours to 16.00 hours instead of 16.30 hours. The morning trading will be unchanged at 09.30 to 12.30 hours local time. Saturday trading hours will be unchanged at 9.30-12.00.

The exchange has also raised the carry-over margin deposit for gold from HK$60,000 to HK$100,000 per lot of 100 taels with effect from last Friday.

Sharp rise in profits from Malayan Banking

BY WONG SULONG IN KUALA LUMPUR

MALAYAN BANKING Berhad, Malaysia's largest bank, continues to show impressive growth. Group first-half net profits to end-December rose by 25.6 per cent to 21.3m ringgit (U.S.$9.8m).

At the bank level, the growth was even more pronounced, with net profits surging ahead by 35 per cent to 18m ringgit. An interim dividend of 8 per cent has been declared, compared with 7 per cent last time.

At group level, deposits rose by 23 per cent to 4.81bn ringgit (U.S.$2.21bn), and total loans rose by 28 per cent to 3.07bn ringgit. At the bank level, deposits also increased by 23 per cent to 4.18bn ringgit, while total loans rose by 31 per cent to 2.63bn ringgit.

Total group assets stood at 7.6bn ringgit, or 40 per cent higher, while at the bank level assets were 41 per cent higher at 6.86bn ringgit.

During the period, the expansion in the number of branch offices slowed down, with only one new branch office being added to ing the number to 149.

The directors said that the level of profits recorded during the first half will at least be maintained in the second half.

● Profits for Chemical Company of Malaysia for 1980 are not expected to be any higher than last year's net of 21.7m ringgit (U.S.$ 10m), due to the sharp rise in production costs, Dr. S. A. Rigwell, chairman, told yesterday's annual general meeting.

Last year's record profit was partly due to advantageous forward buying of raw materials.

Dr. Rigwell said that demand for the company's products remained buoyant, but he expressed concern as to whether the company would be able to recoup rising production costs from the market.

The cost of ammonia, one of the major raw materials, had risen by 50 per cent in less than a year, while the rise in electricity rates had added an extra 1m ringgit to the company's bill for 1979, he said.

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CURRENCIES, MONEY AND GOLD

Sterling eases

STERLING LOST ground, while the dollar improved slightly against most major currencies in fairly quiet foreign exchange trading yesterday. The pound opened at \$2.2827-2.2837, and touched a best level of \$2.2855-2.2865 in the morning. By noon sterling had fallen to \$2.28, and continued to decline to a low of \$2.2725-2.2735 in the afternoon. It closed at \$2.2750-2.2760, a fall of 85 points on the day, following an easing of demand after the recent heavy buying of sterling to buy gilt-edged stock. At the same time the very tight conditions in the London money market are expected to improve towards the end of this week as seasonal tax payments come to an end and gilt-edged demand recedes.

The pound's trade-weighted index, as calculated by the Bank of England, fell to 72.0 from 72.3, after standing at 72.1 at noon and 72.2 in the morning.

The dollar was firm, gaining ground against the Deutsche mark and Swiss franc, possibly with the help of central banks. The Federal Reserve may have taken advantage of the quiet conditions to push the dollar to DM 1.7330 from DM 1.7295 against the Deutsche Mark, the highest level since the start of the new year, and to SwFr 1.61 from SwFr 1.6015 in terms of the Swiss franc.

On Bank of England figures the dollar's index was unchanged at 84.9.

DEUTSCHE MARK — Very strong, but showing a steadier trend within the European Monetary System, following a recent rise — The Bundesbank did not intervene when the dollar was fixed at DM 1.7315 against the Deutsche Mark, compared with DM 1.7278 previously. Trading was active in Frankfurt but the U.S. currency moved within a narrow range. Sterling fell to DM 3.95 from DM 3.9580 at the fixing, and the Swiss franc also declined slightly. Members of the EMS recorded mixed changes, with the Italian lira, Danish krone, and Irish punt gaining ground, while the French franc, Belgian franc and Dutch guilder declined against the German currency.

FRENCH FRANC — Strongest member of the EMS since late December — The French franc improved against the Belgian franc, Danish krone and Dutch guilder at the Paris fixing, but lost ground in terms of its other EMS partners, the Deutsche Mark, Italian lira and Irish punt. The dollar improved to FFr 4.0570 from FFr 4.0450, but sterling fell to FFr 9.2565 from FFr 9.2715.

BELGIAN FRANC—Generally weakest member of EMS, but resists devaluation—The Belgian franc showed mixed changes against its partners in the EMS, falling against the D-mark, Irish punt and Italian lira, but improving in terms of the French franc and guilder. The dollar rose to BFr 28.135 from BFr 28.0425 at the Brussels fixing, while sterling fell to BFr 64.20 from BFr 64.28.

DUTCH GUILDER — Firmer in recent weeks, near top of EMS—The guilder declined against most other EMS currencies at the Amsterdam fixing, losing ground against the D-mark, French franc, Belgian franc, and Danish krone, but rising slightly against the Irish punt. Outside the EMS the dollar improved to Fl 1.9110 from Fl 1.9045, but the pound fell to Fl 4.3610 from Fl 4.3660.

JAPANESE YEN — Energy problems reflected in sharp decline last year, but slightly firmer recently—The dollar rose to Y240.35 from Y240.20 against the yen, but eased slightly from the opening level Y241.20 in moderate trading.

THE POUND SPOT AND FORWARD

Jan. 22	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2725-2.2865	2.2750-2.2760	0.90-0.80c pm	4.48	1.80-1.[illegible] pm	3.08
Canada	2.6230-2.6530	2.6355-2.6365	1.22-1.12c pm	5.33	2.52-2.[illegible] pm	3.75
Nethlnd.	4.34-4.38	4.34½-4.35½	3¼-2¼c pm	7.58	7¾-6¾ [illegible]	6.20
Belgium	63.95-64.40	64.05-64.15	25-15c pm	3.74	55-45 p[illegible]	3.12
Denmark	12.30-12.38	12.31-12.32	3¼-1¾ore pm	2.68	1¼ pm-[illegible]	0.12
Ireland	1.0645-1.0690	1.0655-1.0665	par-0.10p dis	−0.56	0.10-0.2[illegible]	−0.56
W. Ger.	3.93¾-3.97	3.94-3.95	4-3pf pm	10.65	9¾-8¾ p[illegible]	8.74
Portugal	113.30-114.20	113.45-113.75	par-50c dis	−2.64	20-120 d[illegible]	−2.48
Spain	150.25-150.90	150.30-150.40	10c pm-40 dis	−1.20	par-100 [illegible]	−1.33
Italy	1,836-1,844	1,838¾-1,839¾	4-6 lire dis	−3.26	16½-18½ [illegible]	−3.80
Norway	11.18½-11.25½	11.19½-11.20½	8½-6½ore pm	8.30	17½-15½ [illegible]	5.89
France	9.22½-9.27½	9.25-9.26	5¼-4¼c pm	5.82	11¼-10¼ [illegible]	4.66
Sweden	9.44½-9.49½	9.45½-9.46½	4¼-2¾ore pm	4.12	10-8 pm	3.80
Japan	543-553	545-546	5.60-5.35y pm	12.04	12.90-12.6[illegible]	9.37
Austria	28.23-28.45	28.27-28.32	27-17gro pm	9.33	62-52 pm	8.08
Switz.	3.64-3.67½	3.65-3.67	4¾-3¾c pm	13.61	11-10 pm	11.46

Belgian rate is for convertible francs. Financial franc 65.85-65.9[illegible]. Six-month forward dollar 2.40-2.30c pm, 12-month 3.57-3.47c pm.

THE DOLLAR SPOT AND FORWARD

Jan. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2725-2.2865	2.2750-2.2760	0.90-0.80c pm	4.48	1.80-1.70 pm	[illegible].08
Ireland†	2.1380-2.1500	2.1490-2.1500	1.00-0.90c pm	5.33	2.15-2.05 pm	[illegible].93
Canada	1.1594-1.1614	1.1611-1.1614	0.10-0.06c pm	0.83	0.23-0.19 pm	[illegible].72
Nethlnd.	1.9100-1.9125	1.9100-1.9110	0.60-0.50c pm	3.45	1.72-1.62 pm	[illegible].50
Belgium	28.11½-28.17	28.15-28.17	1½c pm-par	0.32	2 pm-par	[illegible].14
Denmark	5.4065-5.4130	5.4085-5.4100	0.50-1.00ore dis	−1.66	3.75-4.25dis	[illegible]
W Ger.	1.7305-1.7345	1.7325-1.7335	0.96-0.86pf pm	6.30	2.58-2.48 pm	[illegible]
Portugal	49.88-50.05	49.93-50.03	15-25c dis	−4.80	45-75 dis	[illegible]
Spain	66.04-66.10	66.08-66.10	15-35c dis	−4.54	60-80 dis	[illegible]
Italy	806.85-808.00	807.70-808.00	4½-5½ lire dis	−7.43	13½-15 dis	[illegible]
Norway	4.9190-4.9210	4.9200-4.9210	2.00-1.50ore pm	4.27	4.00-3.50 pm	[illegible]
France	4.0580-4.0605	4.0590-4.0605	0.77-0.67c pm	2.13	1.55-1.40 pm	[illegible]
Sweden	4.1560-4.1580	4.1560-4.1570	0.40-0.20ore pm	0.87	0.85-0.65 pm	[illegible]
Japan	239.00-240.65	239.55-239.65	1.65-1.50y pm	7.89	[illegible] pm	[illegible]
Austria	12.42½-12.43½	12.42½-12.43	6¼-4¼gro pm	5.31	18-15 pm	[illegible]
Switz.	1.5890-1.6120	1.6095-1.6105	1.27-1.20c pm	9.20	3.47-3.40 pm	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

Jan. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.576008	0.629870
U.S. $	12	1.31975	1.44366
Canadian $	14	1.53210	1.67710
Austria Sch	3¾	16.3662	17.9159
Belgian F	10½	37.0091	40.4983
Danish K.	11	7.11741	7.78856
D Mark	6	2.28026	2.49436
Guilder	9½	2.51346	2.74974
French Fr.	9½	5.33839	5.84322
Lira	15	1062.73	1162.51
Yen	6¼	317.532	347.129
Norwgn. Kr.	9	6.49317	7.09488
Spanish Pts.	8	87.1167	95.3539
Swedish Kr.	10	5.46812	5.98499
Swiss Fr.	2	2.10830	2.30625

CURRENCY MOVEMENTS

Jan. 22	Bank of England Index	Morgan Guaranty changes %
Sterling	72.0	−34.3
U.S. dollar	84.9	−8.4
Canadian dollar	81.6	−16.4
Austrian schilling	157.9	+24.1
Belgian franc	115.4	+13.6
Danish kroner	108.9	−2.9
Deutsche mark	158.2	+46.2
Swiss franc	202.1	+80.9
Guilder	126.2	+20.4
French franc	102.3	−5.5
Lira	55.0	−49.8
Yen	117.5	+16.9

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Jan. 22	£	$		£ Note Rates
Argentina Peso	3739-3759	1645-1650	Austria	28.10-28.35
Australia Dollar	2.0480-2.0520	0.9010-0.9015	Belgium	65.80-66.30
Brazil Cruzeiro	99.12-100.12	43.55-44.00	Denmark	12.32-12.40
Finland Markka	8.40¼-8.41¼	3.6940-3.6960	France	9.22-9.29
Greek Drachma	n/a	n/a	Germany	3.94-3.96½
Hong Kong Dollar	10.95-10.96	4.8070-4.8100	Italy	1875-1995
Iran Rial	n/a	n/a	Japan	549-554
Kuwait Dinar (KD)	0.616-0.626	0.2721-0.2722	Netherlands	4.35-4.37½
Luxembourg Frc.	64.05-64.15	28.15-28.17	Norway	11.22-11.30
Malaysia Dollar	4.9700-4.9810	2.1820-2.1830	Portugal	113-125
New Zealand Dlr.	2.2980-2.3040	1.0110-1.0120	Spain	150½-158
Saudi Arab. Riyal	7.62-7.72	3.3605-3.3611	Sweden	9.49-9.55
Singapore Dollar	4.8925-4.9035	2.1505-2.1515	Switzerland	3.62½-3.64½
Sth. African Rand	1.8615-1.8625	0.8180-0.8185	United States	2.2785-2.2865
U. A. E. Dirham	8.49-8.59	3.7426-3.7432	Yugoslavia	48½-53

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.4960	+1.78	+1.46	±1.53
Danish Krone	7.72336	7.78906	+0.85	+0.53	±1.64
German D-Mark	2.48208	2.49323	+0.45	+0.13	±1.125
French Franc	5.84700	5.83983	−0.12	−0.44	±1.3557
Dutch Guilder	2.74362	2.75082	+0.26	−0.06	±1.512
Irish Punt	0.668201	0.673417	+0.78	+0.46	±1.668
Italian Lira	1157.79	1161.71	+0.34	+0.34	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 22	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.276	3.946	545.5	9.255	3.663	4.353	1839.	2.636	64.10
U.S. Dollar	0.439	1.	1.734	239.7	4.066	1.611	1.913	808.3	1.158	28.17
Deutschemark	0.253	0.577	1.	138.3	2.341	0.929	1.103	466.2	0.668	16.25
Japanese Yen 1,000	1.833	4.171	7.232	1000.	16.93	6.719	7.979	3372.	4.832	117.5
French Franc 10	1.083	2.464	4.272	590.7	10.	3.969	4.713	1992	2.854	69.41
Swiss Franc	0.273	0.621	1.076	148.8	2.520	1.	1.188	501.8	0.719	17.49
Dutch Guilder	0.230	0.523	0.906	125.3	2.122	0.842	1.	422.5	0.606	14.73
Italian Lira 1,000	0.544	1.237	2.145	296.6	5.021	1.993	2.366	1000.	1.433	34.85
Canadian Dollar	0.379	0.863	1.497	206.9	3.503	1.390	1.651	697.7	1.	24.32
Belgian Franc 100	1.560	3.550	6.154	851.0	14.41	5.718	6.790	2869.	4.112	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 14.10-14.20 per cent; three months 14.15-14.25 per cent; six months 14.15-14.25 per cent; one year 13.20-13.30 per cent.

Jan. 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	27½-27¾	13¾-14	13-14	10½-10¾	1⅛-1⅝	8⅛-8¼	11¾-12	14-18	—	3-7½
7 days' notice	22-22¼	13⅞-14⅛	13-14	10½-10¾	1⅛-1⅝	8⅛-8⅜	11¾-12	21¼-23½	13⅞-14⅛	5⅛-5⅞
Month	18¾-19⅛	14⅛-14⅜	13⅝-14	10¾-11	5⅛-5¼	8¼-8⅜	12⅛-12⅜	20¾-22½	14⅛-14¼	7⅛-7⅜
three months	17½-17¾	14⅛-14⅜	13⅝-14	10¾-11	5⅛-5⅜	8⅜-8⅝	12¾-13	20½-21½	14⅜-14½	7⅞-8⅛
six months	16⅞-17⅛	14⅜-14⅝	13⅝-13⅞	10¾-11	5⅛-5⅜	8⅛-8½	13⅜-13⅝	20-20¾	14⅜-14½	8⅛-8⅜
one year	15⅛-15¾	13⅛-13⅜	12⅞-13⅛	10¾-11	5½-5⅞	8⅛-8½	13⅜-13⅝	19½-20½	13⅞-13⅞	7⅞-8⅛

Long-term Eurodollar two years 12⅛-12⅝ per cent; three years 12-12½ per cent; four years 11⅞-12⅜ per cent; five years 11¾-12 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

U.S. rates erratic

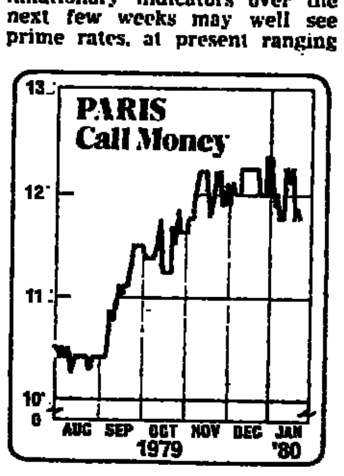
U.S. Treasury bill yields opened lower than Monday's levels, but recovered in later trading to stand at 12.18 per cent for 13-week bills, compared with 12.20 per cent on Monday and 11.875 per cent for 26-week bills. Trading was somewhat confused yesterday, although the uncertain conditions did not seem to deter investors establishing long positions. However conditions were upset when the Federal Reserve Bank entered the market to add reserves by arranging overnight repurchase agreements at a time when the market was expecting an overall drain of liquidity this week.

Federal funds remained very steady, being quoted at 14 per cent. One dealer noted that inflationary indicators over the next few weeks may well see prime rates, at present ranging between 15-15¾ per cent, increase still further.

In Paris call money fell back to 11¾ per cent from 11⅞ per cent and period rates were easier where changed.

In Frankfurt short term money eased to 8.55-8.60 per cent from 8.60-8.70 per cent, with longer term rates unchanged.

In Amsterdam interest rates showed a general decline. Call money was quoted at 10⅛-10⅜ per cent compared with 10⅛-10⅜ per cent and one, three and six-month rates all showed falls of ⅛ to ¼ per cent.



MONEY RATES

NEW YORK

Prime Rate	15-15¾
Fed Funds	14
Treasury Bills (13-week)	12.18
Treasury Bills (26-week)	11.875

GERMANY

Discount Rate	6
Overnight Rate	8.575
One month	8.75
Three months	8.95
Six months	8.65

FRANCE

Discount Rate	9.5
Overnight Rate	11.75
One month	12.0625
Three months	12.1875
Six months	12.1875

JAPAN

Discount Rate	6.25
Call (Unconditional)	8
Bills Discount (three-month)	8.4375

GOLD

Sharp fall

Gold fell \$135 — the largest daily movement on record — to close at \$680 to \$700, although there was some sign of a slight recovery shortly after the London close, with New York quoting \$700 to \$710. The metal opened at \$830 to \$840, the highest point of the day but then fell sharply to \$763 at the morning fixing, and \$737.50 in the afternoon. Market sources suggested that speculators were anxious to sell gold throughout the day, but there was no sign of panic.

In Paris the 12½ kilo bar was fixed at FFr 90,500 per kilo (\$693.82 per ounce) in the afternoon, compared with FFr 95,100 (\$728.45) in the morning and FFr 98,750 (\$759.31) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 43,160 per kilo (\$763 per ounce), compared with DM 46,510 (\$843) previously.

	January 22		January 21	
Gold Bullion (fine ounce)				
Close	\$680-700	(£299-308)	\$820-830	(£359-364)
Opening	\$830-840	(£365-368)	\$825-835	(£360-365)
Morning fixing	\$763	(£334.646)	\$843	(£367.758)
Afternoon fixing	\$737.50	(£323.820)	\$850	(£371.066)
Gold Coins				
Krugerrand	\$700-720	(£305-320)	\$832-842	(£364-369)
Mapleleaf	\$700-720	(£305-320)	\$832-842	(£364-369)
New Sovereigns	\$180-185	(£74-80)	\$208-212	(£91-94)
King Sovs.	\$185-195	(£75-80)	\$215-220	(£94-97)
Victoria Sovs.	\$185-195	(£75-80)	\$215-220	(£94-97)
Fr 20 Napoleon	FFr760-775	(SFr260-280)	FFr805-815	(SFr300-320)
50 pesos Mexico	\$870-890		\$1050-1070	
100 Cor. Austria	\$700-715		\$820-830	
\$20 Eagles	\$745-775		\$830-870	
\$10 Eagles	—		—	
\$5 Eagles	—		—	

UK MONEY MARKET

Further help

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day to day credit remained in very short supply in the London money market yesterday, and the authorities gave assistance on a very large scale. This comprised small purchases of Treasury bills both from the discount houses and banks, some of which are for resale at a fixed future date. They also bought a small number of corporation bills direct from the discount houses, and a moderate amount of eligible bank bills, all of the bank bills being for resale at a future date. In addition they lent a moderate amount to six or seven houses at MLR for repayment today.

Factors against the market included the repayment of a small amount of overnight official advances and a moderate excess of revenue transfers to the Exchequer over Government disbursements. Banks brought forward balances a small way below target and there was a small net take up of Treasury bills to finance. In addition there was a small increase in the note circulation. Discount houses were paying up to 17 per cent for secured call loans at the start, but later balances were taken as low as 15 per cent.

In the interbank market overnight loans opened at 18-20 per cent and eased to 17-18 per cent before rising on the forecast of a large shortage to 19-20 per cent. During the afternoon rates fell as low as 12-13 per cent but late money commanded around 17 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Jan 22 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-20	—	—	—	17¼	15-17	—	—	—
2 days notice	—	—	19½-20	—	—	—	—	—	—	—
7 days or 7 days notice	—	20-22	19½-20	—	19¼	17⅞	17	—	—	—
One month	18⅛-18⅜	18¾-19	18-19¼	19⅛-19⅛	19	17⅞	16¾	15½-15⅝	18-18¼	18¾
Two months	18⅛-17⅞	18-18¾	—	18¾-18⅛	18¼	—	16½	15½-15⅝	17⅛-17⅞	18½
Three months	17½-17⅜	17⅝-17⅛	17½-17¾	17⅞-17¾	18	17⅞	16¾	15⅛-15⅛	16¾	17¼
Six months	16⅞-16⅛	16⅜-16⅞	16⅝-16¾	16-16½	17	—	—	—	16⅛-15½	16⅞
Nine months	16⅛-15⅞	15¾-15⅛	—	15⅞-15¼	16	—	—	—	—	—
One year	15-14⅝	15-15⅛	16⅛-16⅞	16⅜-16	16¼	—	—	—	—	—
Two years	—	—	15⅜-15¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years 16⅛-15¾ per cent; four years 15-15¾ per cent; five years 15-15¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅛-16⅞ per cent; four-months trade bills 16⅞ per cent.

Approximate selling rates for one-month Treasury bills 15 31/64-15⅝ per cent; two-months 15 39/64-15⅝ per cent; three-months 15⅞-15 [illegible] per cent. Approximate rate for one-month bills 17⅝-18 per cent; two-months 17⅝ per cent; three-months 16⅞ per cent; one-month trade bills 18⅝ per cent; two-months 18 per cent and three months 17 per cent.

Finance Houses Base Rates (published for the Finance Houses Association) 17 per cent from January 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.749 per cent.

WORLD STOCK MARKETS

Early profit-taking on Wall St.

AFTER SHOWING fresh firmness at the outset, Wall Street developed a downward tendency in heavy early dealings yesterday as speculative demand lessened and profit-taking set in.

The Dow Jones Industrial Average, 2.82 higher at the 10.30 am calculation, slipped back to 870.05 at 1 pm for a net decline of 2.73. The NYSE All Common Index receded 21 cents to $64.30, while falls at mid-session outpaced gains by a four-to-three majority. Turnover increased to 39.19m shares from the previous day's 1pm level of 32.32m.

Gold and Silver Mining shares relinquished some ground after their recent strong gains, reflecting the sharp reaction in Bullion prices.

Volume leader Benguet lost 1⅜ to $10⅞, ASA 2⅜ to $47¼, Dome Mines 2 to $57½ ex-didivend, and *Homestake Mining 3⅛ to $56⅛*. Hecla Mining declined 2¼ to $40½, Callahan Mining 83 to $34¼ and Handy and Harman 4⅜ to $44½.

Actove Asarco receded 4⅜ to $47, Kennecott Copper 2⅜ to $39⅜ and Phelps Dodge 1½ to $38½.

Eastman Kodak, a major user of silver, added 1⅛ to $48⅜, and Polaroid put on ⅛ to $25.

Oils were active and mostly higher, but heavily-traded Texaco slipped ⅜ to $33.

Rockwell International rose ⅞ to $57⅜ on higher fiscal first-quarter net earnings. Consolidated Edison, however, eased ¼ to $24⅜ respite higher final-quarter profits and an increased dividend.

Merck lost ¼ to $70 despite news of higher December-quarter earnings. R. H. Macy, which announced a stock split and raised the dividend, added ⅞ at $56. Digital Equipment's fiscal second-quarter results were higher but it lost ½ to $67½.

THE AMERICAN SE Market Value Index fell 4.78 to 261.61 at 1 pm. Volume 6.75m shares (*6.46m*).

Mining issues were hard hit, Day Mines lost 3½ to $32¼, Ranchers Exploration 5⅛ to $44⅞, National Silver 1⅜ to $9 and heavily-traded Atlas Consolidated "B" ⅞ to $5⅜.

Closing prices for North America were not available for this edition.

Canada

Stocks sustained a widespread setback in active dealings yesterday morning after recent strength. The Toronto Composite index retreated 32.5 to 1,940.7 at midday, while Golds declined 158.0 to 2,866.4, Oil and Gas 96.9 to 3,897.6 and Metals and Minerals 69.7 to 2,038.9. In Montreal, Banks lost 2.66 to 322.25 and Utilities 2.24 to 257.80.

Tokyo

Stocks presented an easier bias overall, but Non-ferrous Metal issues featured strongly, while the Oils and Coals sectors *provided some good gains*. Trading was heavy, volume reaching 600m shares (350m).

The Nikkei-Dow Jones Average, as a result, improved 18.32 more to 6,684.59, but the Tokyo SE index was 0.19 off at 464.05 and declines on the First Market section outnumbered advances by 368 to 278.

In very heavy trading, Non-Ferrous Metal stocks moved broadly higher, spurred on by news that the price of Gold in forward trading hit $1,000 an ounce on the New York Commodity Exchange on Monday. Giving an added fillip was news from Nippon Mining of a 20 per cent increase in its domestic copper price. Dowa Mining rose Y100 to Y604, Nippon Mining Y24 to Y324, and Mitsui Mining and Smelting Y26 to Y174.

In the Energy sector, Nippon Oil put on Y30 to Y1,870, Teikoku Oil Y35 to Y1,010, Sumitomo Coal Y5 to Y250 and Maruzen Oil Y11 to Y369.

In contrast, Light Electricals led export-orientated shares mainly lower on profit-taking. Sony declined Y20 to Y1,710, Pioneer Electronic Y50 to Y1,910, Yamaha Motor Y32 to Y959, Sharp Y17 to Y610 and Canon Y9 to Y627.

Victor of Japan were unchanged at Y1,130 despite reports that Matsushita Electric is to adopt its video disc system.

Germany

Most shares joined in a technical recovery yesterday in a fairly lively session, following the recent weakening trend in listless trading. The Commerzbank index, which reached a new 1979-80 low on Monday, recouped 6.4 to 694.7.

Bourse sources commented that prices had sunk so low that sellers were becoming reluctant, while investors, particularly domestic buyers, were becoming more active.

Brown Boveri rose DM 6.30 in Electricals, Linde DM 4.90 in Engineerings and Daimler Benz DM 5.80 in Motors. Commerzbank put on DM 3.30 and Deutsche Bank DM 3, but Stores had Karstadt and Kaufhof down *about DM 1.60* apiece.

Bond trading remained quiet through the course of the session with domestic issues closing narrowly mixed. Deutsche Bundesbank released paper valued at DM 3.9m onto the market, after selling paper valued at DM 3.5m on Monday.

•Paris

With the sharp retreat in Gold Bullion prices aiding sentiment, shares generally gained ground in moderate activity. The CAC General index rose 1.0 to 106.8.

Construction was the only major sector to show a weakening trend, although forecast higher 1979 consolidated profits lifted Bouygues FFr 2 to FFr 646.

Oils were particularly firm, with Francaise des Petroles *rising FFr 13 to FFr 256* following news that it has obtained two licences to drill in the Gulf of Suez.

Elsewhere, L'Oreal advanced FFr 23 to FFr 643 and Poclain FFr 9.4 to FFr 228.4.

Hong Kong

Shares further advanced in active trading, taking the Hang Seng index up 11.09 more to 884.91 for a two-day rise of 30 points. Turnover on the four stock exchanges totalled HK$320.52m, against Monday's HK$265.53m.

The market has regained its confidence following last week's worries about possible Government measures against property speculation. Helping to boost sentiment was a property auction yesterday afternoon, where the results were in line with expectations.

Dealers said they expected trading to continue its present trend, with the market moving further ahead in anticipation if improved results from the Banks when they report next month.

Hong Kong Bank rose 30 cents to HK$19.90, Hong Kong Land 20 cents to HK$14.30, Jardine Matheson 10 cents to HK$16.10 and Swire Pacific "A" 45 cents to HK$9.60.

Cheung Kong moved ahead 60 cents to HK$20.30, China Light 50 cents to HK$20.50, Hang Seng *Bank HK$2 to HK$131 and Hong* Kong Hotels HK$1.75 to HK$32.75, but Stelux shed 15 cents to HK$6.30.

Johannesburg

Gold shares retreated on the sharp reaction in the Bullion price, but late Overseas interest prompted a partial recovery in some shares.

West Drie slipped R2.50 to R76.00, Harties R2.00 to R53.75 and Kloof F1.50 to R28.50.

Mining Financials followed gold producers down, with Amgold declining R7.25 to R83.25 and Anglos 70 cents to R13.30. Platinums also weakened.

Australia

A bout of profit-taking caused a setback in a good number of recent market favourites yesterday, especially in the Gold, Silver and Copper Mining sectors. The Sydney All Ordinaries index retreated 12.13 to 826.07 from Monday's new record high, while the Metals and Minerals index lost 171.91 to 5,409.54.

Among Golds, Central Norseman receded 20 cents to A$7.00, GMK 20 cents to A$4.30, Poseidon 15 cents to A$2.90, Kalgoorlie Southern 15 cents to A$1.35 and Emperor 5 cents to A$2.30.

Indices

NEW YORK—DOW JONES

	Jan. 21	Jan. 18	Jan. 17	Jan. 16	Jan. 15	Jan. 14	1979-80 High	1979-80 Low	Since Compilnt High	Since Compilnt Low
● Industr'ls	872.78	867.15	863.57	865.19	868.90	863.57	897.61 (5/10)	796.67 (7/11)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	75.14	75.64	75.88	75.88	75.61	75.81	88.10 (15/8)	75.14 (21/1/80)	—	—
Transport.	268.99	265.69	264.41	261.69	259.74	258.25	271.77 (15/8)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	107.85	107.85	108.12	108.56	109.03	109.50	109.74 (17/12)	98.24 (24/10)	163.32 (20/4/69)	10.52 (28/4/42)
Trading Vol 000's	48,840	47,158	54,170	67,790	52,320	52,950	—	—	—	—

●Day's high 880.03 low 863.65

Ind. div. yield %	Jan. 18	Jan. 11	Jan. 4	Year ago (approx)
	6.40	6.30	6.03	5.81

STANDARD AND POORS

	Jan. 21	Jan. 18	Jan. 17	Jan. 16	Jan. 15	Jan. 14	1979-80 High	1979-80 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	126.36	125.64	124.56	124.88	124.81	123.92	126.36 (21/1/80)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	112.10	111.07	110.70	111.05	111.14	110.38	112.10 (21/1/80)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 16	Jan. 9	Jan. 2	Year ago (approx)
Ind. div. yield %	5.11	5.22	5.38	4.97
Ind. P/E Ratio	7.95	7.78	7.54	9.01
Long Gov. Bond Yield	10.39	10.27	10.16	8.97

N.Y.S.E. ALL COMMON

Jan. 21	Jan. 18	Jan. 17	Jan. 16	1979-80 High	1979-80 Low
64.51	63.94	63.60	63.95	64.51 (21/1/80)	53.88 (27/3)

Rises and Falls

	Jan. 21	Jan. 18	Jan. 17
Issues Traded	1,925	1,908	1,879
Rises	910	710	660
Falls	642	802	848
Unchanged	374	396	371
New Highs	128	79	83
New Lows	12	25	19

MONTREAL	Jan. 21	Jan. 18	Jan. 17	Jan. 16	1979-80 High	1979-80 Low
Industrial	351.69	350.27	350.24	348.09	351.69 (21/1/80)	279.19 (2/1)
Combined	340.45	329.69	330.22	327.97	330.45 (21/1/80)	225.88 (2/1)
TORONTO Composite	1973.2	1956.7	1968.1	1946.6	1973.2 (21/1/80)	1315.8 (2/1)

	Jan. 22	Jan. 21	Jan. 18	Jan. 17	1979-80 High	1979-80 Low
AUSTRALIA						
Sydney All Ord. (1936/38)	826.07	838.20	823.66	824.13	838.20 (21/1/80)	545.72 (2/1/79)
Metals & Minls (1936/38)	5409.54	5581.45	5375.57	5346.94	5581.45 (21/1/80)	2587.34 (2/1/79)
AUSTRIA						
Credit Aktien (2/1/62)	68.72	68.65	68.20	68.88	69.40 (7/1/80)	61.53 (2/5)
BELGIUM						
Belgian SE (31/12/63)	102.66	102.28	102.24	102.95	109.47 (5/10)	96.80 (3/1/79)
DENMARK						
Copenhagen SE (1/1/73)	85.37	85.47	85.51	85.70	97.48 (25/7)	85.37 (22/1/80)
FRANCE						
CAC General (29/12/61)	106.8	105.8	—	105.8	115.1 (5/10)	82.4 (16/2)
Ind Tendance (28/12/79)	102.4	101.2	100.70	100.9	102.4 (22/1/80)	95.6 (3/1/80)
GERMANY						
FAZ-Aktien (31/12/58)	220.2	218.11	218.72	220.58	265.60 (18/1/79)	218.11 (21/1/80)
Commerzbank (Dec. 1953)	694.7	688.3	690.50	695.8	859.60 (16/1/79)	688.3 (21/1/80)
HOLLAND						
ANP-CBS General (1970)	82.3	81.9	82.0	82.7	94.2 (24/1/79)	81.9 (21/1/80)
ANP-CBS Indust. (1970)	65.9	65.5	66.30	66.4	85.9 (24/1/79)	65.5 (21/1/80)
HONG KONG						
Hang Seng Bank (31/7/64)	884.91	873.82	854.87	880.94	889.15 (2/1/80)	493.63 (2/1/79)
ITALY						
Banca Comm. Ital (1972)	90.46	92.59	92.99	90.40	95.85 (4/10)	68.38 (2/1/79)
JAPAN						
Dow Average (16/5/49)	6684.59	6666.27	6549.50	6556.59	6684.59 (22/1/80)	5925.87 (10/4)
Tokyo New SE (4/1/68)	464.05	464.24	464.88	463.29	465.24 (29/8)	435.15 (13/7)
NORWAY						
Oslo SE (1/1/72)	138.92	139.04	141.24	140.93	142.22 (13/12)	74.46 (16/1)
SINGAPORE						
Straits Times (1966)	447.98	447.02	448.94	452.44	453.46 (16/1/80)	348.34 (23/2)
SOUTH AFRICA						
Gold (1958)	(u)	538.4	542.9	553.1	558.8 (14/1/80)	229.40 (17/4)
Industrial (1958)	(u)	468.6	474.3	474.5	475.9 (15/1/80)	279.50 (2/1/79)
SPAIN						
Madrid SE (28/12/79)	101.24	(c)	102.22	101.03	102.22 (18/1/80)	98.31 (15/1/80)
SWEDEN						
Jacobson & P. (1/1/58)	356.98	347.81	358.08	354.72	401.54 (6/2)	331.37 (24/9)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	306.7	307.3	307.80	306.7	329.10 (2/6)	294.00 (3/1/79)
WORLD						
Capital Intl. (1/1/70)	—	138.2	138.3	135.1	138.4 (6/10)	122.2 (1/5)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000: the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Texaco	1,452,400	33⅞	+1⅛
Avon Prods.	1,140,600	37⅞	−¼
Scherg.-Plough	660,600	35⅞	−1¼
Benguet	549,200	12⅝	−1⅝
Tesoro Pet.	439,900	22	+¾
McDermott	413,700	29¾	+1
Occidental Pet.	408,100	27⅝	+1⅛
Congoleum	401,500	36⅞	—
Gulf Oil	374,200	38½	+1⅞
Exxon	374,100	55¾	+½

Rhys David finds the low-wage advantages of Portugal's textile industry offset by high fragmentation and a ramshackle infrastructure

Portugal expects to see benefits from joining the EEC

IN THE hill town of Pezitem, near Guimares, north-east of Oporto, Portugal's second city, life for most of the inhabitants revolves very closely around the highly successful Coelima textile group. In the 1970s the company has grown to become a major manufacturer of household textiles—bed linen, table cloths and similar products.

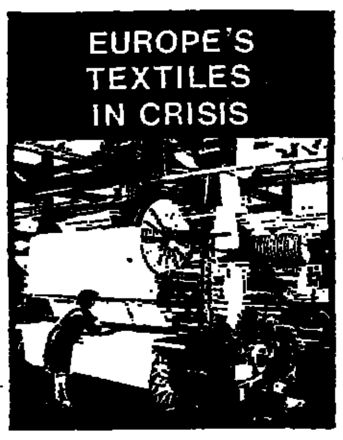
Sales last year reached $55m. Exports account for 70 per cent of the group's output, with the UK taking more than half of these. The 2,500 jobs which Coelima provides represent the bulk of local employment, and dotted around what is essentially a company town are various other institutions — a nursery school, sports club and playing field among them—which Coelima has established. Not surprisingly, the waiting list for employment at Coelima is long and natural wastage small.

Still family-owned, like most of Portugal's textile industry, Coelima has in the past few years spent £15m on new plant, including 500 Sulzer and 240 Saurer high-speed looms, and has rebuilt its production hall to enable woven fabric to be collected in enormous 8,000m-long rolls. Further investment is planned to bring spinning up to date, and the group is considering diversification into towel manufacture, corduroy, shirts and industrial fabrics.

Coelima is one of the Portuguese industry's bigger and better organised groups, but its moves are an indication of the confidence which the sector as a whole—most of it situated in towns and villages close to Oporto—feels over future prospects. In this it offers a sharp contrast with the more gloomy forecasts emanating from the industry in the older industrialised countries of Northern Europe.

Though textile producers in Portugal have been affected by the country's post-revolutionary economic and political turmoil, and in some products have yet to climb back to the production levels of the early 1970s, buyers from Northern Europe have again been beating a path to their doors in the past year, with more orders than the industry has been able to meet.

The industry's success has been based on its position as the nearest low-cost source of supply to the main markets of Europe and as the biggest and longest-established of the



emerging Mediterranean textile suppliers. As in the case of Britain, Portugal's textile industry developed with its empire. Cotton from the colonies was processed in Portugal and sent back to Africa as finished products, though in recent years after the establishment of the European Free Trade Association Britain became the biggest export market.

More than 50 per cent of the industry's total output—250,000 tonnes a year valued at more than $1bn—is exported and textile and clothing exports account for more than 30 per cent of the country's total overseas earnings. Just as important in a country where one in seven is jobless, the sector provides work directly or indirectly for roughly 300,000 people or 10 per cent of the total labour force.

The industry's main advantage over Northern Europe lies in its wage costs which, despite a steep rise since the revolution, remain relatively low compared with West Germany, France, the Netherlands or Britain. Companies in the clothing industry estimate annual employment costs per worker at £1,800-£2,000, and a study of comparative costs per operator hour in spinning and weaving by a firm of management consultants puts Portuguese labour costs in 1978-79 at only one quarter those in the U.S. and less than those in West Germany.

The Portuguese textile industry therefore feels it can do well once inside the EEC and free of the restraints which now control its level of exports to member countries. Though these restrictions—agreed for a three year period 1979-81—are only understandings and are not legally enforceable, they have reduced Portuguese exports of some key products to the important UK market and limited the Portuguese industry's ability to diversify into other markets.

Limits have also been placed by individual EEC members on the rapidly growing outward growing processing trade between Portugal and Northern European countries—the transfer of fabric for making up into garments followed by re-importation and Britain has refused to allow any outward processing to take place over and above the export levels agreed in the informal understanding.

The Portuguese expect all these restraints to be abandoned as soon as they are in the EEC, and say the EEC as a whole will benefit. "Portugal is much closer to the main markets of the EEC than the Far Eastern suppliers, and is strong in labour intensive areas such as making-up. It will make much more sense for the EEC to rely on Portugal to supply it than to preserve parts of the industry that are no longer viable elsewhere in the Community," a senior officer of the Portuguese Textile Association points out.

The industry is nevertheless aware that much needs to be done if full advantage is to be taken of increased market opportunities. The major groups in Portugal apart from Coelima include large-scale yarn and fabric producers such as Riopele, with 4,500 employees and a record of continuing investment in the most modern machinery. In clothing, groups like Supercorte have again established themselves as highly competitive volume suppliers of high quality casual shirts and leisurewear to big UK retail groups and to the U.S. jeans companies Levi and Wrangler.

The industry in general, however, and the clothing and knitting sectors in particular, remain highly fragmented. More than half the 2,000 companies in the industry have fewer than 50 employees, and only 3 per cent employ more than 500. The smaller companies are in many cases operating old and inefficient machinery and are often unable to afford the sophisticated design, marketing and other services essential for developing their own overseas sales.

The expertise needed to negotiate with the big store buying groups from Northern Europe is also frequently lacking, while the predominantly family ownership of most mills has acted as a barrier to the mergers which are needed. Excessive reliance on a limited number of products—household textiles and shirts in particular—and on a small number of markets like the UK is also a hazard.

Other problems are caused by the chronic weakness of the Portuguese economy and the ramshackle state of the country's infrastructure. Since the revolution the domestic market for textiles has fallen, increasing the industry's dependence on exports. Coelima, for example, was selling 60 per cent of output at home and 40 per cent overseas in the early 1970s, but the proportion is now 30 to 70. The very high cost of money is another burden on textile companies, though exporters enjoy slightly lower interest rates.

Indeed, there are enough drawbacks to operating in Portugal, according to one leading industrialist, to offset much of the advantage gained by low wages. Sr. Orlando Lopez da Cunha, a partner in Supercorte, cites the country's poor road, rail, port and phone systems while others complain about the Lisbon bureaucracy, about the lack of middle management, slow bank transfers, and labour difficulties. Absenteeism, particularly in the bigger centres, can run as high as 20 per cent, but because of legislation introduced immediately after the revolution dismissal has become extremely difficult. The ending of military service overseas also means that most companies now have many more people on their books than they need. In Coelima's case the excess is put at around 25 per cent, with a corresponding effect on productivity.

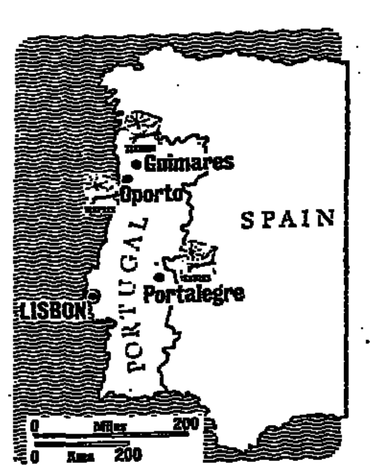
A way out of some of these problems may be offered by a report on the sector being drawn up by the consultants Werner Associates, at the instigation of the World Bank and the UN Industrial Develoment Organisation. The industry's view, which may well be shared by Werner, is that there will have to be rationalisation into larger groupings accompanied by greater specialisation and more emphasis on quality products.

The main developments seem certain to take place in the clothing field, where it is likely the Portuguese will be trying increasingly in the 1980s to move up-market into more sophisticated garments able to command a high price in northern European markets. A move in this direction would enable the industry to take advantage of its low labour rates and, because of the high work content, make more effective use of its labour. Increases in basic cotton spinning or weaving capacity are less likely because of the very high capital cost, though modernisation of existing older capacity may take place.

Further co-operation with foreign groups, already reckoned to account for some 15 per cent of employment in textiles and clothing, is also likely. The Portuguese textile industry already has close links with the UK and has been drawn into closer co-operation with a number of big German concerns through outward processing. More extensive use of Portuguese making-up capacity by German textile groups in the 1980s looks like developing, and interest in joint ventures has been expressed by some of the increasingly powerful Italian groups.

At this stage it remains somewhat less easy to estimate the impact on the Portuguese textile industry—itself protected by high tariffs—of the competition it will experience from other EEC member countries after entry. In garments the main effect could prove to be at the more expensive end of the markets, in products Portugal does not itself manufacture. Further upstream, however, the progressive removal of tariffs could lead to much tougher competition for Portugal's fibre-making industry.

Though the Portuguese textile industry is mainly based on cotton, usage of synthetic fibre is increasing, particularly in household textiles and knitwear. Demand for polyester staple, used in blends with cotton and wool, is very largely met from the Finicisa plant at Portalegre, a 50-50 joint venture between Fino, the Portuguese wool textile group and ICI. Some Portuguese groups import polyester from outside the country, mainly from Hoechst in Germany, but a substantial extra tariff has to be paid. Acrylic is produced in Portugal by Fisipe, jointly owned by Fabril and the Japanese Mitsubishi group with production last year of around 14,000 tonnes.



Eventually Portugal's polyester staple, acrylic and viscose will have to compete fully with imports from within the EEC, but the threat is currently seen as one that can be handled. Finicisa for example believes substantial growth in overall demand to be likely. The company expects polyester to increase its share of traditional cotton markets in household textiles and other fabrics, and is planning a major expansion of its own capacity, which is currently around 20,000 tonnes a year.

As well as competing with the rest of Europe Portugal will in theory also have to accept its share of the EEC's imports from the Far East. These may well be able to undercut Portuguese prices, particularly if wages in Portugal begin to move up to European levels. In practice it seems unlikely that low-cost imports will gravitate towards Portugal simply because its small size, relative poverty, and large textile industry are likely to make it relatively unattractive to low-cost suppliers in other parts of the world.

The Portuguese in fact see the Far East playing a somewhat less significant part in supplying Europe after the EEC has been expanded to embrace its three new members. The role of keeping Europe supplied with low cost fashionable garments and other textile products is one which the Portuguese industry believes it will itself increasingly be filling as the 1980s proceed.

APPOINTMENTS

European vice-president for Avis Rent A Car

Mr. Tom Swartele, who has held top positions with Procter and Gamble and Playtex, is the new vice-president, marketing, Europe, for the AVIS RENT A CAR SYSTEM. He will report to Mr. Jose Sanz who has become vice-president and general manager for Europe.

★

In an announcement of the reorganisation of the Jardine insurance broking group, dated December 11, 1979, JARDINE MATHESON INSURANCE BROKERS regret that Mr. P. J. Ford-Robinson was omitted from the list of directors of the group operating board.

★

Mr. David S. Van Pelt, senior vice-president, has been appointed head of the UK, Ireland, Scandinavia and South Africa division within CITIBANK'S institutional banking organisation.

★

Mr. Geoffrey Allen and Mr. Eric Frye have been appointed to the board of CARPETS INTERNATIONAL. Mr. Allen joined The Carpet Manufacturing Company in 1947, was appointed to the board of that company in 1964 and subsequently became marketing director and deputy managing director. Mr. Eric Frye will be a non-executive director. He is a former deputy chief executive of The Plessey Company.

Mr. J. P. Crossley, group vice-chairman and executive chairman of Carpets International (Northern) has been appointed executive chairman of E. Illingworth and Company (Bradford). Mr. A. G. Roden has been appointed executive chairman of The Carpet Manufacturing Company and of Debron Carpets. Mr. Roden is a director of Carpets International and will retain his existing corporate appointments and responsibilities. Mr. C. M. Plumbe has been made corporate strategic director. He will be a member of the corporate management team at group headquarters in Kidderminster and a director of Carpets International Group Services.

★

Mr. Brian Foster, chairman of the medical division of UAC Ltd. has been appointed to the board of UAC INTERNATIONAL with executive responsibility for the medical and the UAC motors divisions of UAC Ltd. He will also assume executive responsibility for UAC building materials division in due course. Mr. J. E. Sunderland is to retire from the board on March 31, when his executive responsibility for Unamec division will be assumed by Mr. E. H. Shimmin.

★

Mr. J. A. Blades has been appointed finance director of LINFOOD HOLDINGS.

★

Mr. H. A. Burch has been appointed to the board of LYNTON COMMERCIAL UNITS.

★

Mr. Bryan Whymant-Morris, director of personnel of the Lovell Construction Group, has been appointed to the board of Y. J. LOVELL (HOLDINGS). He remains responsible for personnel, safety and security.

★

KANGOL MAGNET has made the following appointments: Mr. J. H. Segal has been appointed director of after-market sales for front and rear seat belts and in-car child retraints. Mr. Stuart Dewar, who joined Kangol last January as export sales manager, has become exports sales director with continuing responsibility for the sale of the automotive restraint ranges overseas. Mr. Andrew Ward has been made director, original equipment sales with responsibility for liaison with UK and international car manufacturers.

★

As part of the closing down programme at Kilmarnock MASSEY-FERGUSON has made the following appointments: Mr. Gordon S. Green, inventory control manager Europe, has been appointed general manager of Moorfield Manufacturing Company (Kilmarnock), the new company established by Massey-Ferguson to provide Scottish manufacturing industry with a range of production skills as part of MF's commitment to helping to find alternative employment at the site. Mr. J. A. Thomas, director in charge at the Kilmarnock plant, has been appointed director engineering at Coventry Engineering Centre. He remains a director of MF's operation at Kilmarnock in the closing phases, and will have an ongoing involvement in the programme of finding alternative work at the site. This will arise both from his recent appointment as managing director of Moorfield Manufacturing Company (Kilmarnock) and because he will continue to supervise the progress of the international search for alternative employers who would set up operations in the plant.

★

Mr. Barry Male has been appointed to the new post of financial director for BRITISH CALEDONIAN TRAVEL HOLDINGS. He was deputy financial controller with Woodhall-Duckham.

★

Mr. Nobuhiko Kawamoto has been elected president of KONISHIROKU PHOTO INDUSTRY CO., Japan, and Mr. Hiroshi Tomioka, previously president is now chairman of the board.

★

Mr. Michael Wainwright has been appointed director of DUNLOP INDUSTRIAL GROUP from February 1. He succeeds Mr. T. A. Brooke, who is retiring. Taking over from Mr. Wainwright as director of Dunlop GRG division is Mr. Alistair McKillop who was previously manager of the division's Manchester operations.

★

Mr. Bernard D. Iverson has been appointed managing director of MORCO A/S, Stevanger, Norway—a company in the Norcem offshore group. Morco's present managing director, Mr. Frank Murphy will move to Denver, Colorado. He continues as drilling and management adviser and will also assist in extending Morco's activities on a world wide basis.

★

Mr. Richard Milnes is to rejoin EMI as a director of EMI FILM DISTRIBUTORS OVERSEAS.

★

Mr. Gerry Esam has been appointed deputy general manager of NATIONAL WESTMINSTER BANK'S domestic banking division. Chief advances manager since 1975, he succeeds Mr. E. D. Morton, who retires at the end of this month.

★

Mr. Roger A. Carkner has joined the SAUDI NATIONAL COMMERCIAL BANK, Bahrain, as head of banking to set up the marketing and credit area. He was previously in charge of the Bank of Nova Scotia Euro-currency consortium lending in London.

★

Captain Dave Blues, formerly general manager, has been appointed chairman and managing director of SODEXHO (SCOTLAND).

★

GUPWELL TRANSPORT CONTRACTS has appointed Mr. Peter Gupwell and Mr. Ron Speakman, joint managing directors. Mr. Gupwell is a grandson of the company founder, joined Gupwell Transport Contracts in 1965, and was appointed to the board in 1971.

★

In view of his increasing responsibilities Mr. G. N. Corah has decided to relinquish his appointment as joint managing director of CORAH. He remains executive chairman, while Mr. L. O. Helgeson becomes sole managing director.

★

Mr. Stephen Ruddick has been appointed trading director of W. H. SMITH DO IT ALL.

★

Mr. Mervyn Francis has become marketing director for ADVERTEE GOLF SIGNS.

★

The Home Secretary has appointed Professor Angela M. Bowel and Dr. Ann Robinson to be part-time members of the EQUAL OPPORTUNITIES COMMISSION.

★

Mr. Gerard Litten, managing director of British Mohair Spinners, Bradford, has succeeded Mr. Victor Blackburn as chairman of the NATIONAL WOOL TEXTILE CORPORATION.

★

THE MUNICIPAL JOURNAL has appointed the following directors: Mr. Simon Jenkins, Ms. Sue MacGregor, Mr. Peter Newman, Mr. James Spooner.

★

Mr. W. H. Levit, Jr. has been elected secretary of REXNORD INC., Milwaukee, U.S.

Sir Bernard Lovell honoured

THE Royal Society of Arts has awarded the Benjamin Franklin Medal for 1980 to Sir Bernard Lovell, professor of radio astronomy at the University of Manchester and director of Jodrell Bank for his pioneering work in radio astronomy and his contributions to the American space programme through the tracking of satellites and spacecraft.

BASE LENDING RATES

A.B.N. Bank	17 %	■ Guinness Mahon	17 %
Allied Irish Bank	17 %	■ Hambros Bank	17 %
Amro Bank	17 %	■ Hill Samuel	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Henry Ansbacher	17 %	Hongkong & Shanghai	17 %
A P Bank Ltd.	17 %	Industrial Bk. of Scot.	17½%
■ Arbuthnot Latham	17 %	Keyser Ullmann	17 %
Associates Cap. Corp.	17 %	Knowsley & Co. Ltd.	18½%
Banco de Bilbao	17 %	Lloyds Bank	17 %
Bank of Credit & Cmce.	17 %	Edward Manson & Co.	18 %
Bank of Cyprus	17 %	Midland Bank	17 %
Bank of N.S.W.	17 %	■ Samuel Montagu	17 %
Banque Belge Ltd.	17 %	■ Morgan Grenfell	17 %
Banque du Rhone et de la Tamise S.A.	17½%	National Westminster	17 %
Barclays Bank	17 %	Norwich General Trust	17 %
Bremar Holdings Ltd.	18 %	P. S. Refson & Co.	17 %
Brit. Bank of Mid. East	17 %	Rossminster	17 %
■ Brown Shipley	17 %	Ryl. Bk. Canada (Ldn.)	17 %
Canada Perm't Trust	17 %	Schlesinger Limited	17 %
Cayzer Ltd.	17 %	E. S. Schwab	17 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	18 %
■ Charterhouse Japhet	17 %	Standard Chartered	17 %
Choulartons	17 %	Trade Dev. Bank	17 %
C. E. Coates	17 %	Trustee Savings Bank	17 %
Consolidated Credits	17 %	Twentieth Century Bk.	17 %
Co-operative Bank	*17 %	United Bank of Kuwait	17 %
Corinthian Secs.	17 %	Whiteaway Laidlaw	17½%
The Cyprus Popular Bk.	17 %	Williams & Glyn's	17 %
Duncan Lawrie	17 %	Yorkshire Bank	17 %
Eagil Trust	17 %		
E. T. Trust Limited	17 %		
First Nat. Fin. Corp.	18½%		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	18 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits [illegible], 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 [illegible].
‡ Call deposits over £1,000 15%.
§ Demand deposits [illegible].

COMMODITIES and AGRICULTURE

More U.S. silver trading curbs as prices fall

BY DAVID LASCELLES IN NEW YORK

THE CHICAGO Board of Trade, the largest commodities exchange in the U.S., yesterday followed the New York Comex and restricted trading in silver futures. The move helped extend the slide in precious metals prices which began on Monday afternoon.

After delaying the start of trading for several hours while it considered possible moves the CBOT announced a ban on new positions in the January, February and March contracts. In additions, the board ordered traders to liquidate their holdings in the February contract between January 29 and February 26.

The moves were the latest in a series of attempts by the commodity futures exchanges to restore order to the precious metals markets which have shown great volatility in recent weeks.

The market authorities' concern is that an unusually high number of speculators seem determined to take actual delivery of metals, rather than cancel their positions as is normal in futures markets. However, both the Comex and the CBOT seem keen to act to control the markets lest the commodity futures trading commission in Washington, the markets' watchdog, steps in itself and orders a trading halt.

The price of silver dropped sharply again yesterday amid these moves, though not, some traders argued, because of them. The restrictions added uncertainty to the markets but probably increased speculators' determination to hold on to what metal they had. Few traders believed, though, that the fall would continue. Most spoke of profit-taking trends exaggerated by selling from more nervous investors. The expectation was that prices could well resume their upward course after the shake-out.

Our Commodities Staff writes: The steep fall in gold and silver prices brought a sharp reaction in the London metal and commodity markets, which have been heavily influenced by the moves in precious metals. Copper, which some traders now view as an alternative gold market, was hit badly. Cash wirebars dropped by £105 to £1,213.5 a tonne shedding most, but not all, of the gains on Monday. Ignored was the news that a strike had shut down the El Teniente mine in Chile. Cash lead fell by £43 to £496 a tonne exceeding the rise on Monday of £40. Aluminium and nickel futures also lost ground in the general sell-off. So did zinc, despite the announcement of a rise in teh European producer price from $780 to $825 a tonne by two leading companies, A. M. & S. Europe and Cominco. The rise in the producer price of zinc has been rumoured for some time, but it was generally discounted since demand for zinc remains poor.

Evidently, however, producers have decided that the time is ripe for an increase in view of the general rise in metal prices recently and the escalating costs of production. Smelters might take a different view since they are more concerned with margins than mining costs. At the same time it is strongly rumoured that nickel producers might be contemplating a similar move to compensate for the increased cost of oil.

Gold had a varying effect on other commodity markets. It helped halt the recent upsurge in world sugar. Natural rubber after opening strongly lost ground but still ended marginally higher. Coffee was down, but mainly on reports of a cut in Colombian export prices and expectations of a cut in prices by other producers.

Japan may back Soviet grain ban

TOKYO — Japan may buy and store extra grain originally destined for the Soviet Union, as a way of helping President Carter in his campaign of retaliation against the Soviet Union following the invasion of Afghanistan, Western sources said here yesterday.

There are question marks, however, over whether Japan has sufficient suitable grain storage capacity. Difficulties have been encountered in the past when trying to build up stocks against possible sortages.

In a speech at the National Press Club, Mr. Masayoshi Ohira, the Prime Minister, said he would spell out to Parliament on Friday Japan's basic stand in showing its displeasure with Iran for holding American hostages and against Moscow for its military intervention in Afghanistan.

In Washington, meanwhile, a State Department official said the U.S. will follow up on earlier talks in an effort to get increased co-operation from the Argentine Government over the embargo.

Reuter

Emergency U.S. food reserve urged

WASHINGTON — The U.S. Presidential Commission on World Hunger urged Congress yesterday to act swiftly in approving legislation that would create the structure for an emergency food reserve of up to 4m tonnes of wheat.

The Commission said the suspension of grain shipments to the USSR "offers real potential safeguards against hunger in the developing world." The 4m tonnes of embargoed wheat should be used to stock the proposed food security reserve, it added.

Earlier President Carter reaffirmed his full commitment to a policy of promoting international trade in general and expanded agricultural exports in particular.

In a State of the Union message to Congress, he said the U.S. will set another record in agricultural exports this year, despite the suspension of shipments of 17m tonnes of grain to the Soviet Union.

CHINA MINERALS

Expertise in short supply

BY PAUL CHEESERIGHT

A SHORTAGE of trained men and women is the main factor hindering the development of the Chinese minerals industry. There is no lack of resources and there are abundant sources of potential power from massive coal deposits and the hydro-electric capacity of the Yangtse river.

These conclusions were reached by members of an Institution of Mining and Metallurgy mission which visited China at the end of last year.

The mission brought together representatives from industry, government and the academic world. Impressions were fragmentary and the conclusions to be drawn from them are inevitably tentative. But they add to the growing body of knowledge about the industrial prospects of a more open China.

The minerals industry, essential to the effort of welding an enlarged industrial base to an agricultural society, is handicapped by a shortage of graduates because of the effects of the Cultural Revolution. One institute dealing with rock mechanics in Peking, for example, had no new graduates between 1966 and 1977.

At a lower educational level, Chinese officials expressed to members of the Institution their concern that an adequate emphasis of mathematics and basic sciences was not available in secondary schools during the Cultural Revolution.

With highly-trained talent spread thinly over the industry, Chinese officials apparently conceded that management practices were not as good as they should be. On the other hand, members reported overwhelming enthusiasm to overcome problems and cited what they termed "the shattering knowledge" of Western geological literature.

The drive towards development is thus largely led by those who gained their basic qualifications before the mid-1960s and, despite the expansion of the industry since the 1949 revolution, their task is daunting. For a start, the potential may be great but exactly how great is unknown.

Members were told that China had reserves of 40bn tonnes or iron ore, 1bn tonnes of bauxite, 50m tonnes of copper and 7m tonnes of nickel. But it is not clear what proportion of these reserves is economically recoverable.

Certainly a very considerable geological effort is being made. The Ministry of Geology has a staff of 360,000, of whom 60,000 are professionally qualified. There are also geologists, responsible for applied work, attached to at least seven other ministries.

Detailed work at existing mines is done by geologists attached to the individual mining corporations. The output of these corporations collectively is unknown in detail, but Institution members were informed that China's annual production for some key metals is: aluminium 400,000 tonnes, copper, zinc and lead, each 300,000 tonnes, and nickel 20,000 tonnes.

In 1949 there were 20 non-ferrous metals plants in China, with an annual production of 10,000 tonnes. But by last year the number had risen to 700, many presumably on a small scale.

Mines seen by the mission in places as varied as Yunnan, centre of the tin industry, Tongling, where copper is produced, Daye, the iron ore centre, and Fankou, known for its lead and zinc, employed equipment reflecting the different stages of Chinese history.

PEKING—Work has started on a large copper mining and smelting complex in southeast China which will eventually produce 200,000 tonnes of refined copper a year, the New China News agency said. The complex, at Yongping in Jiangxi province, would eventually have seven copper mines with verified reserves of over 10m tonnes, it added.

Some equipment dated back to the Japanese occupation of the 1930s and 1940s, some reflected the links with the Soviet Union in the 1950s and other plants were imported from the West. But where possible the mines use domestically produced equipment. One member saw drill bits being made at the mining site.

When foreign machine parts wear out, they tend to be replaced by those of local manufacture. The impression gained by the mission was that the Chinese authorities would use foreign technology and equipment only as an aid to help them towards equipment independence.

The implications of this for trade with the West could be far reaching, suggesting that, without some movement towards joint ventures, sales could be one-off only.

Certainly the Chinese seem ready simply to copy imported technology in their own manufacture. Their research and development effort does not seem advanced enough to permit widescale innovation. But meanwhile it appears their work in making existing plant efficient is very demanding.

Members described Soviet equipment they had seen at the mines as antiquated by Western standards even at the time it was installed. On the other hand, Western equipment, installed in 1970 at one mine, was manifestly the wrong type for the nature of the ore it was treating. This had led the Chinese to seek adaptations.

The machinery difficulties have apparently caused a fall-off in production from the rated capacity of the mines. But these were isolated examples and do not necessarily reflect the state of the whole minerals industry.

Some of the mines are in any case in isolated areas where road communications are difficult. This, in the view of one IMM specialist, has had a damaging effect on some smelters. Certainly, in Yunnan, the tin smelters have been forced to use unsuitable fuel because of the difficulties of materials transfer.

This shows the way in which the development of the minerals industry is tied up, and marches in line, with the development of the country as a whole. The immediate priority, as observed by the mission, is the growth of the steel and coal industries, with non-ferrous metals further down the line.

New London wool market launched

BY JOHN EDWARDS, COMMODITIES EDITOR

A FURTHER attempt at reviving wool futures trading in London was launched yesterday with the introduction of another new contract.

The contract has some startling features. Trading is in New Zealand dollars and delivery points are in New Zealand. It is thus very much geared to the New Zealand crossbred wool industry in providing an alternative hedging medium to the Sydney market which deals in merino wool—often a very different market from crossbred.

As usual when a new market is launched there was some active trading in the first session as price levels were established. But there were *mixed feelings among member* companies whether the new market would succeed in attracting the kind of support that has eluded previous London wool futures contracts.

There were some doubts as to whether speculators would be prepared to bother about dealing in New Zealand dollars—it is an added complication even though the Australasian banks claim there is no problem in convertibility to other currencies.

The outlook for wool demand in the coming year is not too promising, with New Zealand auctions showing an easier trend. In Europe competition from U.S. synthetic fibres is reported to be troubling the wool textile industry considerably. However, all these factors may be *overcome if speculators* decide to move into wool—one of the traditional "hedges" in times of uncertainty.

'Bullish' view on metals

Financial Times Reporter

A BULLISH preview of the outlook for metals, especially in Canada, was given in London last night by Mr. Brian Backler, senior mining analyst for Greenshields, the prominent Canadian investment dealers.

The scene was set for him by the company's economist and senior vice president, Mr. Nicholas S. Takacsy, who suggested that the world might be entering a period reminiscent of the 1950s with high defence spending and stockpiling of raw materials.

In a metal-by-metal analysis, Mr. Backler forecast an increase in the aluminium price this year of 10-15 per cent, with no significant new sources of supply coming on stream before late 1981.

Consumer restocking of nickel had dried up, and the industry was likely to be at full capacity *by end-1982. The price of 320* cents a pound at the beginning of this year could reach 350 cents this year.

Lower UK meat supply forecast

BY RICHARD MOONEY

THE MEAT and Livestock Commission expects total UK meat consumption to fall marginally this year. In its latest Meat Demand Trends quarterly MLC forecasts UK meat consumption in 1980 at 3,879,000 tonnes compared with 3,886,000 tonnes estimated for 1979.

The decline is mainly due to an expected 55,000 tonnes cutback in beef and veal consumption to 1,193,000 tonnes. The *MLC also expects* bacon and ham consumption to be 3,000 tonnes lower but mutton and lamb, pork, poultry meat and offal purchases are all expected to rise.

The sharpest advance is expected in the poultry meat sector where consumption is forecast at 781,000 tonnes against 755,000 last year.

Price inflation in the meat sector is still lagging behind the general rate, the MLC report shows. Meat and bacon retail prices in November were 12 per cent up on November 1978 compared with a rise of 14 per cent for all foods and 17 per cent for the general index of retail prices.

Beef prices kept pace with the general inflation rate but home-killed lamb was up only 4 per cent in November against a year earlier. Imported lamb prices in December were similar to the prevous year's level while pork and bacon were each 12 per cent dearer.

UK meat production is forecast at 3,008,000 tonnes in 1980 compared with 3,055,000 tonnes in 1979. Once again the biggest fall is *projected in the beef and* veal sector where production is expected to decline from 1,022,000 tonnes to 968,000. Mutton and lamb production is forecast at 245,000 tonnes (227,000 in 1979), pork at 680,000 (697,000), bacon and ham at 203,000 (208,000), poultry meat at 765,000 (753,000) and offal at 147,000 (148,000).

MLC said household expenditure on meat and bacon in the 12 weeks ended November 10, 1979 rose 11.2 per cent compared with a year earlier. The *sharpest rise was 34.2* per cent for lamb chops followed by 28.2 per cent for second quality stewing beef.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Fell heavily on the London Metal Exchange following the sharp decline in gold. Forward metal moved erratically in the morning, opening at £1,330 and rising to £1,350 on fresh speculation interest. However, the afternoon brought out sizeable profit-taking and stop-loss selling as the bullion price dipped below $700. This pared forward copper to a low of £1,188 in hectic trading conditions before a late rally prompted a close on the late kerb of £1,195. Turnover: 33,250 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £1,268, three months £1,275, 70, 72, 74, 73, 70, 69, 68, 69, 70, 68, 69, 70, 71, 72, 75, 77, 75, 73, 75, 74, 72, 71, 70. Cathodes: Three months £1,245, 42, 43. Kerb: Wirebars, three months £1,264, 60, 61, 62, 59, 60, 58, 58, 55, 52, 45, 40, 48, 47, 48. Afternoon: Wirebars, three months £1,225, 26, 28, 30, 29, 32, 35, 34, 32, 33, 34, 33, 32, 31, 30, 32, 34, 20, 18, 20, 22, 24, 25, 24, 22, 20, 21, 20, 18, 20, 19, 18, 17, 19, 20. Cathodes: Three months £1,195, 98. Kerb: Wirebars three months £1,200, 1,198, 90, 95, 90, 89, 87, 90, 92, 90, 95, 1,200, 1,198, 95, 94, 95, 97, 96, 95.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	1265-7	—30.5	1212-15	—106
3 months	1269-71	—26.5	1219-21	—92.5
Settlem't	1267	—31	—	......
Cathodes				
Cash	1222-4	—32	1177-80	—87.5
3 months	1243-4	—28	1197-9	—88
Settlem't	1224	—32	—	......
U.S. Prod	—	......	*113-23	......

TIN—Marginally lower. The strength of the Penang market and initial gains in gold and copper enabled forward metal to open stronger at £7,600 but a downturn in other metals saw the price dip to around £7,500 on the morning kerb. In the afternoon values held steady around the £7,500 level prior to closing the late kerb at £7,510. Turnover: 1,000 tonnes.

Morning: Standard, cash £7,640, 50, three months £7,510, 15, 10, 7,500, 10, 15, 20, 25, 30. Kerb: Standard, three months £7,500. Afternoon: Standard, three months £7,500, 10, 05, 7,500. Kerb: Standard, three months £7,480, 70.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7640-50	+18	7600-50	—55
3 months	7520-55	+38	7495-515	—48
Settlem't	7650	+10	—	......
Standard				
Cash	7640-50	+10	7600-30	—55
3 months	7520-5	+30	7495-505	—55
Settlem't	7650	+10	—	......
Straits E.	‡$2251	+59		......
New York	—	......		......

LEAD—Lost ground in the wake of gold and copper. After moving ahead to £538 on the pre-market forward material came under heavy selling pressure which depressed the price to the day's low of £480 on the late kerb prior to closing at £491. Turnover: 21,400 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	515-7	—5.5	495-7	—45
3 months	504-5	—2.25	489-90	—34
S'ment	517	—5	—	......
U.S. Spot	—	......	*50	......

Morning: Cash £521, 18, three months £512, 13, 12, 14, 13, 12, 13, 12, 8, 7, 10, 9, 8, 5. Kerb: Three months £502, 500, 495, 94, 91, 90, 85, 80, 75, 73, 80, 85, 88, 90, 95, 500. Afternoon: Cash £496, three months £495, 90, 85, 88, 89, 88, 90, 91, 94, 96, 99, 500, 02, 01, 500, 499, 98, 97, 96, 95, 90, 88, 89, 90. Kerb: Three months £490, 88, 86, 85, 87, 88, 80, 77, 75, 78, 80, 85, 86, 87, 95, 90, 96.

ZINC—Fractionally easier reflecting the heavy losses in gold and copper. Forward metal rose to £365 on the pre-market ahead of producer price rises by Am & S and Cominco but later fell back to close the late kerb at £358 after a day's low of £354.5. Turnover: 3,600 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	343-5	—8	338-40	—8
3 months	358-60	—7.5	354-5	—6.5
S'ment	345	—8	—	......
Primw'ts	—	......	*37.5	......

• Morning: Three months £363, 60, 61, 64, 65, 62, 61, 60. Afternoon: Three months £356, 57, 60, 61, 56, 55, 54, 55. Kerb: Three months £356, 57, 60.

ALUMINIUM—Down in sympathy with other base-metals. Forward metal traded around £930 early on but fell back with other metals to touch the day's low of £890 in the early afternoon. A good business developed below the £900 level and the price edged up to clos the late kerb at £903. Turnover: 12,000 tonnes.

Alumin'm	a.m. Official	†+ or —	p.m. Unoffic'l	†+ or —
	£	£	£	£
Spot	906-8	—28	894-6	—35.5
3 months	905-7	—24.5	894-5	—35

Morning: Three months £915, 13, 12, 8, 7, 6, 2, 900, 02, 05, 06, 07, 05, 06, 04, 05, 06, 07, 06. Kerb: Three months £903. Afternoon: Late January £904, three months £903, 05, 03, 04, 03, 01, 02, 900, 895, 94, 95, 94, 94.5, 95. Kerb: Three months £890, 88, 86, 90, 92, 93, 97, 900, 02.

NICKEL—Lost ground owing to the general weakness of metal markets. A good two-way turnover was reported in the morning when forward metal traded between £3,140 and £3,070, reflecting the uncertain trend in gold and copper. The afternoon brought out fresh buying support, however, with forward metal opening around £3,100, dipping to £3,060 and rallying to close the late kerb at £3,080. Turnover: 678 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2965-75	—29	2970-80	—45
3 months	3055-70	—25	3055-75	—57.5

Morning: Cash £3,010, three months £3,110, 3,100, 3,095, 90, 80, 75, 70. Kerb: Three months £3,070. Afternoon: Three months £3,060, 80, 90, 3,100, 3,095, 70, 60, 65, 70. Kerb: Three months £3,060, 80.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed £3.158 an ounce lower for spot delivery in the London bullion market yesterday at £18.216. U.S. cent equivalents of the fixing levels were: Spot $41.55, down $7.45; three-month $41.639c, down $7.361; six-month $41.532, down $7.189; and 12-month $41.982, down $7.278. The metal opened at £19.25-20.60 ($44-47) and sank to a low of $32-35, before industrial demand pushed it firmer to a closing level of £16.25-17.60 ($37-40).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffici'l	+ or —
Spot	1821.60p	—315	1610p	—480
3 months	1840.p	—313	1510.p	—497
6 months	1840.p	—308	—	......
12months	1870.p	—314	—	......

LME—Turnover 427 (211) lots of 10,000 ozs. Morning: Three months 1,820, 1,790, 1,800, 1,790, 80, 90, 95, 90, 70. Kerbs: Three months 1,730. Afternoon: Three months 1,780, 60, 50, 40, 1,600, 1,650, 1,675, 1,700, 1,680, 60, 50, 40, 30, 20, 1,600, 20, 10. Kerbs: Three months 1,620, 80, 1,700, 10, 30, 50, 40, 50, 1,670, 20.

COCOA

Another day which saw futures trade over a very limited range and end the day little altered to the previous close. Light tonnages of physical cocoas again traded in the dealer market but producers declined to meet current trading levels, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
March	1432-33	—9.0	1442-32
May	1431-32	—6.0	1455-29
July	1442-44	—1.0	1446-98
Sep	1461-65	+0.5	1463-58
Dec	1494-99	+4.0	1494-90
March	1510-20	—2.0	—
May	1525-50	—6.0	—

Sales: 1,298 (1,193) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price Jan. 21: 142.68 (144.81); Indicator price Jan. 22: 15-day average 143.03 (143.12), 22-day average 144.24 (144.44).

COFFEE

After opening unchanged to slightly higher robustas consolidated in a very tight trading range during another quiet morning session, reports Drexel Burnham Lambert.

Weakness in New York prompted Commission House selling during the mid-afternoon and prices settled around the lows of the day.

COFFEE	Yesterdays Close	+ or —	Business Done
	£ per tonne		
January	1501-05	—10.0	1517-495
March	1521-22	—16.0	1552-20
May	1535-37	—20.0	1563-35
July	1561-62	—17.5	1584-60
Sept	1560-58	—19.0	1590-62
Nov	1545-65	—27.0	—
January	1535-55	—17.5	—

Sales: 3,331 (2,194) lots of 5 tonnes.

ICS Indicator prices for Jan. 21 (cents per pound). Other Mild Arabicas 168.33 (169.00). Robusta ICA 1976 163.50 (164.00). ICA 1968 163.75 (164.25). Unwashed Arabicas 213.00 (same). Comp. daily ICA 1968 184.31 (184.59).

GRAINS

LONDON GRAIN FUTURES — Old crops opened 15p lower on wheat to 20p down on barley. In thin trading, values eased back further in the afternoon session to close 25p down on wheat and 20-35p lower on barley. New crops opened 10-15p down but reasonable interest kept values steady to close 5p lower on wheat and 10p higher on the barley, reported Acli.

	WHEAT		BARLEY	
Mnth	Yest'rdays close	+ or —	Yest'rday close	+ or —
Jan	98.95	—0.25	93.85	—0.45
Mar	99.70	—0.25	96.70	—0.30
May	103.95	—0.25	100.70	—0.20
Sept	97.20	—0.05	94.10	—0.10
Nov	100.75	—0.05	97.60	—0.10

Business done—Wheat: Jan. 97.10-96.80, Mar. 99.85-99.60, May 104.05-103.85, Sept. 97.35-97.20, Nov. 100.80-100.70. Sales: 188 lots of 100 tonnes. Barley: Jan. 93.85-93.85, Mar. 96.80-96.55, May 100.85-100.70, Sept. 94.10-94.00, Nov. 97.60-97.50. Sales: 206 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: South East 93.40, South West 95.00, West Midlands 94.40, North West 93.70. Other Milling wheat: South East 98.30.

The UK Monetary Coefficient for the week beginning Monday January 28 (based on HGCA calculations using five days exchange rates) is expected to decrease to 1.055.

RUBBER

The London physical market opened steady but eased on terminal profit taking and closed on a weak note. Lewis and Peat reported a Malaysian godown price of 365 nom (348) cents a kg (buyer, February).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
Feb.	—	80.50-81.50	81.50-81.25
Mar	83.75-81.40	81.20-81.40	84.10-81.60
Apr-Jne	82.20-82.55	82.80-83.00	87.25-82.15
Jly-Sept	86.50-85.70	84.80-84.90	88.95-85.50
Oct-Dec	84.90-85.00	86.20-86.25	90.00-84.80
Jan-Mar	86.00-88.70	87.75-87.85	89.45-87.40
Apr-Jne	87.10-87.70	89.00-89.20	90.25
Jly-Sept	88.20-89.20	90.55-90.90	—
Oct-Dec	90.20-92.00	91.50-92.50	—

Sales: 1,311 (932) at 15 tonnes: 38 (13) at 5 tonnes.

Physical closing prices (buyer) were: Spot 80.50p nom (80.50p), Feb. 77.00p nom. (76.50p), March 78.00p nom (77.50p).

SOYABEAN MEAL

The London market opened with losses of around £1.00 on fresh commission house selling, reports T. G. Roddick. Prices continued to drift with producer selling weighing on markets and finished with losses of £1.50.

	Yest'rd'y Close	+ or —	Business Done
	£ per tonne		
February	121.00-23.0	—0.85	122.00
April	117.00-17.2	—1.60	118.10-16.70
June	115.20-15.4	—1.35	116.60-15.10
August	116.10-16.5	—1.70	116.60-16.40
October	114.50-14.8	—1.60	114.70-14.50
December	116.20-17.1	—1.60	116.50
February	119.70-20.2	—1.30	120.00

Sales: 82 (87) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £193.00 (same) a tonne cif for Jan.-Feb.-March shipment. White sugar daily price was £198.00 (£193.00).

Trading was influenced by the weaker market in precious metals and prices declined some 200/300 points during the opening in active trading conditions. Thereafter commission house stop loss liquidation was touched off and further losses of around 250 points occurred before shortcovering developed which lifted prices somewhat at the close, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
March	196.50-97.00	197.85-97.95	200.00-194.5
May	196.86-96.00	198.30-198.4	203.00-197.5
Aug	200.00-00.25	200.15-00.20	203.50-198.1
Oct	200.75-01.00	198.85-99.90	203.50-199.0

Sales: 7,808 (6,671) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £318.70 (same) a tonne for home trade and £268.50 (£267.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for January 21. Daily price 18.25 (17.96); 15-day average 15.91 (15.73).

NUMBER 4 CONTRACT—Close (in order buyer, seller only). May 198.00, 199.00; Aug. 199.00-200.00; Oct. 199.75, 200.50; Jan. 199.00, 200.00; March 200.50, 201.00; May 200.50, 201.00. Sales 167 (627).

PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 22 1980	+ or —	Month ago
Metals			
Aluminium	£778/818	....	£760 70
Free Mkt (cs)	$1850/1950	....	$1750/18
Copper			
Cash w'bar	£1,213	—105	£1007
3 mths	£1,220	—92.5	£1005.5
Cash Cathode	£1,178.5	—97.5	£976
3 mths	£1,198	—89	£988.5
Gold troy oz	$690	—135	$459
Lead cash	£496	—43	£589
3 mths	£489.5	—34	£513.5
Nickel	£3,195.78	....	£3,288.17
Freemkt(cif (lb	300/320c	....	270/316c
Platin'mtr'y oz	£189.0	....	£195
Free mkt	£368.40	—38.6	£280.90
Quicksil'ver	$390/410	—10	$375/380
Silver troy oz	1821.60p	—315.8	1067.45p
3 months	1840.00p	—313.9	1106.45p
Tin Cash	£7,615	—35	£7,520
3 mths	£7,505	—35	£7,345
Tungsten22.04lb	$138	....	$137.75
Wolfrm 22.04 lbs	$140/144	....	$128.5/134
Zinc cash	£339	—6.5	£343
3 months	£354.5	—6	£351.25
Producers	$780/825	....	$780
Oils			
Coconut (Phil)	$925r	....	$875
Groundnut	‡	....	‡
Linseed Crude	‡	....	£395
Palm Malayan	‡	....	$666
Seeds			
Copra Philip	$610r	+10	$575
Soyabean(U.S.)	$284.25w	....	$292.10
Grains			
Barley Futures	£96.70	—0.20	£97.85
Maize			
French No3AM	‡	....	£120
Wheat			
No. 1 Red Spg.	‡	....	‡
No2HardWint.	£94.25r	....	£105.20
Eng. Millingt	‡	....	‡
Other commodities			
Cocoa ship.t	£1,493	—14	£1,570
Future May	£1,431.5	—6	£1,509.5
CoffeeF't'rMar	£1,521.5	—16	£1,675
Cotton A.Index	88.50c	+0.55	82.80c
Rubber (kilo)	80.50p	....	84.00p
Sugar (Raw)	£193	....	£178
Wooltp's 64s kl	284p kilo	....	276pkilo

r Jan.-Feb. s Feb. v Feb.-March. t March-April. u April w May. z Indicator. § Buyer.

LONDON WHITE SUGAR—Close (in order, buyer, seller, business, sales). April 199.00, 200.00, 201.00, 22; July 201.50, 202.00, 202.00, 1; Sept. 204.00, 206.00, 203.50, 10; Nov. 204.50, 206.00, 204.50, 80; Feb. 206.00, 210.00, 206.00, 56; April 206.00, 212.00, nil, nil; July 206.00, 213.00, nil, nil. Sales 169.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 164 tonnes, bringing the total for the week so far to 288. Limited purchasing occurred, although users were ready to snap up any available supplies at reasonable prices. Middle Eastern growths again attracted attention, with Russian and Turkish to the fore, but North American qualities were also in demand.

JUTE

JUTE—Feb.-March c and f Dundee: BWC £222, BWD £190, BTB £270, BTC £239, BTD £208. C and f Antwerp: Feb.-March BWC $500, BWD $422, BTB $6.1, BTC $530, BTD $460. Jute goods Jan. c and f Dundee: 40 in. 10 oz. £15.54, 40 in. 7.5 oz. £12.17. "B" Twills £36.56.

WOOL FUTURES

LONDON GREASY WOOL—Close (in order buyer, seller only). Pence per pound. March/May/July/Oct./Dec./March/May/July all 232.0, 242.0.

NEW ZEALAND CROSSBREDS—Close (in order, buyer, seller only). March 188.0, 205.0; May 188.0, 198.0; July/Oct./Dec./March/May/July 187.0, 197.0.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business, sales). Australian cents per pound. Micron Contract: 469.0, 470.0, 478.0-462.0, 312; May 501.0, 502.0, 510.0-487.5, 686; July 526.0, 527.0, 532.0-519.0, 992; Oct. 528.0, 529.0, 530.0-516.0, 230; Dec. 531.0 traded, 531.0-520.0, 280; March 527.0, 528.0, 532.0-518.0, 73; May 527.0, 528.0, 530.0-517.0, 93; July 524.5, 525.0, 533.0-

AMERICAN MARKETS

NEW YORK, January 22.

OFFICIAL ACTION by the exchanges *limiting silver trading to liquidation* only has taken its toll in forcing silver and gold to decline the full limit, copper followed suit. Sugar and cotton rallied sharply, with most of the months finishing limit up as the speculative sentiment shifted away from the precious metals. Sugar was also helped by rumours of Soviet purchases. Coffee prices collapsed under persistent chart selling. Cocoa reacted on the downside as Brazilian selling became apparent in the market. The livestock complex finished sharply higher to limit up after a technical rally attracted outside buying. Wheat rallied for minor gains on commercial buying while maize and soyabeans finished fractionally lower on mixed trading, reported Heinold.

Copper—Jan. 119.00-120.00 (137.50), Feb. 128.10 (138.10), March 128.90, May 130.50, July 132.50, Sept. 133.50, Dec. 134.30, Jan. 134.70, March 135.20, May 135.90, July 136.80, Sept. 137.70. Sales: 10,300.

Potatoes (round whites)—March 59.5-60.5 (61.6), April 65.0 (68.2), May 75.3-75.7, Nov. —. Sales: 818.

Tin—799.00-815.00 asked (810.00-825.00).

CHICAGO, January 22.

Lard—Chicago loose 21.25 (same). New York prime steam unavailable.

Live Cattle—Feb. 64.45-64.45 (62.95), April 67.25-67.15 (66.42), June 69.45-69.55, Aug. 69.40-69.25, Oct. 68.40, Dec. 69.40-69.35, Jan—, Feb. —.

Live Hogs—Feb. 41.20-41.00 (40.20), April 40.30-40.15 (39.22), June 43.15-42.95, July 44.10, Aug. 43.00, Oct. 42.15, Dec. 44.30, Feb. 46.05, April 45.75.

‡‡Maize—March 270¾-270⅝ (271⅛), May 283½-283¾ (284¼), July 291¾-292, Sept. 299½, Dec. 307¾-307½, March 319½-319¾.

Pork Bellies—Feb. 41.90-42.00 (40.05), March 42.70-42.50 (40.85), May 44.30-44.35, July 46.00, Aug. 45.65, Feb. 53.00, March —, May —, July —, Aug. —.

Silver—Jan. 4350.0 (4738.0), Feb. 4025.0 (4145.0), March 4057.0, April 4092.0, June 4139.0, Aug. 4183.0, Oct. 4230.0, Dec. 4275.0, Feb. 4315.0, April 4360.0, June 4405.0, Aug. 4450.0, Oct. 4660.0, Feb. 4585.0, April 4637.2, June 4676.9, Aug. 4716.5.

‡Soyabeans—Jan. 648½ (649), March 659-658 (662½), May 681-682, July 701-702, Aug. 711, Sept. 717-716, Nov. 727½-728, Jan. 745.

‖Soyabean Meal — Jan. 184.00 (187.00), March 185.80-186.00 (186.40), May 189.50-189.80, July 194.50-194.30, Aug. 196.00-196.50, Sept. 198.50-199.00, Oct. 201.50, Dec. 204.50, Jan. 205.00-205.50 March 206.50-207.00.

Soyabean Oil — Jan 23.37-23.35 (23.60), March 23.68-23.70 (24.01), May 24.10-24.07, July 24.50-24.45, Aug. 24.65, Sept. 24.90, Oct. 25.10, Dec. 25.45, Jan. 25.50, March 25.75-25.80.

‡Wheat—March 451-450 (446½), May 459½-459 (452½), July 464½-465½, Sept. 478, Dec. 495-495½, March 511.

WINNIPEG, January 22. §Barley—March 117.70 (118.70), May 117.10-117.20 (116.80), July 115.00, Oct. 110.00.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 239.00 (239.35).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. ft. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, January 22.

Wheat—U.S. No. Two Dark Hard Winter wheat 13.5 per cent Feb. $194, March $196. U.S. Hard Winter wheat ordinary unquoted. U.S. No. Two Red Winter wheat Feb. $197, March $199. U.S. No. Two Northern Spring wheat 14 per cent Feb. $208, March $211, April-May $200, May-June $200, June-July $200.

Maize—U.S. No. Three Corn Yellow afloat $131, Jan. $129, Feb. $128, March $130.50, April-June $137, July-Sept. $141, Oct.-Dec. $144.50.

Soyabeans—U.S. Two Yellow Gulf-ports Feb. $268, March $271, April $277, May $279.50, June $285.50, July $287.75, Aug. $290, Sept. $293.75, Oct. $295.75, Nov. $295.50, Dec. $302.25, Jan. $306 sellers. Brazil Yellow faq unquoted. Argentine unquoted.

Soyameals—44 per cent protein U.S. afloat $252, Jan. 252, Feb. 246, March $246, April-June $245, April-Sept. $245. Brazil Pellets April-May $246 traded, afloat $267.50, March $254.75, April-May $246, April-Sept. $251.50 sellers.

PARIS, January 22.

Cocoa (FFr per 100 kilos)—March 1310-1320, May 1305-1310, July 1305, Sept. 1315-1350, Dec. 1320-1355, March 1330-1360. Sales at call 0.

Sugar (FFr per 100 kilos)—March 1800-1805, May 1818-1820, July 1825-1840, Aug. 1835-1837, Oct. 1850-1860, Nov. 1850-1870, Dec. 1860-1880, March 1865-1900. Sales at call 17.

INDICES

FINANCIAL TIMES

Jan 21	Jan. 18	M'nth ago	Year ago
305.56	301.77	closed	263.34

(Base: July 1, 1952=100)

MOODY'S

Jan. 21	Jan. 18	M'nth ago	Year ago
152.5	1513.2	1513.2	1997.4

(December 31, 1931=100)

DOW JONES

Dow Jones	Jan. 21	Jan. 18	Month ago	Year ago
Spot	428.04	426.66	422.44	375.64
F'tur's	435.60	436.79	427.40	371.65

(Average 1924-25-26=100)

REUTERS

Jan. 22	Jan. 21	M'nth ago	Year ago
1767.6	1764.8	closed	1498.0

(Base: September 18, 1931=100)

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 64.0 to 68.0. Eire hindquarters 72.0 to 76.0, forequarters 47.0 to 49.0. Lamb: English small 50.0 to 60.0. *English small 64.0, medium 46.0 to 56.0, heavy 40.0 to 52.0; Scottish heavy 36.0 to 53.0; Imported frozen: NZ PL new season 50.0 to 51.0, NZ PM new season 49.0 to 50.0. Pork: English, under 100 lbs 45.0 to 50.0, 100-120 lbs 42.0 to 48.0, 120-160 lbs 40.0 to 46.0. *Special quotation—very high quality produce in limited supply.

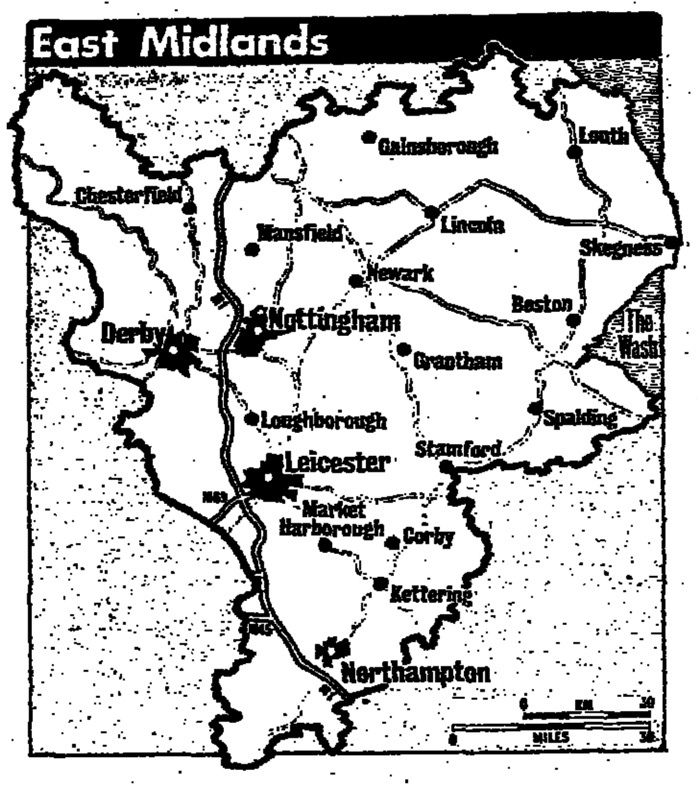
MEAT COMMISSION—Average fatstock prices at representative markets on January 22. GB—Cattle 80.25p per kglw (+0.60). UK—Sheep 137.1p per kgestdcw (+3.1). GB—Pigs 57.9p per kglw (+2.8).

COVENT GARDEN—Prices in sterling per package except where otherwise stated: Imported Produce: Oranges—Spania: Naval/Navelinas 4.00-4.50; Jaffa: Navels/Shamouti 50/189s 3.90-5.50; Greek: 2.50-2.60; Moroccan: 64/113s 3.80-4.20; Egyptian: 3.30-3.40. English Produce: Potatoes—per bag 2.40-3.00. Lettuce—per 12, round 1.60-1.80. Mushrooms—per pound 0.60-0.80. Apples—per pound Bramley 0.06-0.14, Cox's Orange Pippin 0.06-0.14, Spartans 0.10-0.12, Laxton 0.08-0.10, Russets 0.08-0.12. Pears—per pound Conference 0.05-0.10, Comice 0.12-0.20. Swedes—per 25/28 lb 0.70-0.80. Parsnips—per 28 lb 1.40-1.50. Turnips—per 28 lb 1.50-1.60. Cauliflowers—12s Kent 2.50-2.80. Celery—18/22s cartons pre-pack 4.50. Rhubarb—per pound, forced 0.21-0.22. Sprouts—per pound 0.05-0.09. Cabbages—per bag 1.20, white cabbages 1.50. Onions—per bag 2.60-3.00. Carrots—per bag 0.80-1.00. Beetroots—per bag 1.20-1.30.

FINANCIAL TIMES REPORT
Wednesday January 23 1980

East Midlands

Unemployment has increased recently and businessmen are concerned about higher inflation, bigger pay demands and high interest rates. A gloomy outlook for industry generally is relieved by the successes in this diverse region, which is a barometer of the country's industrial activity.



A hunt to find export markets

By Arthur Smith
Midlands Correspondent.

THE RATE OF climb in the number of jobless in the East Midlands suggests not only that the national economy is on a downturn but also that recession is relative.

Unemployment in the region over the past three months—excluding school leavers and seasonal factors—has increased by 7.5 per cent, or three times faster than the national average. Significant as such statistics might be in indicating a general trend, the problem is the less for a region where local unemployment only now has climbed to 4.6 per cent compared with a total for Britain of 5.5 per cent.

The steel strike, engineering dispute and disruption caused by the road haulage action of 12 months ago all triggered off predictable shock waves, but it is difficult to detect any real fears about longer-term trading prospects. There is a confidence that the East Midlands, with an expanding population—already standing at 6.7m—and, because of its diverse economic base, will continue to enjoy the benefits of post-war prosperity.

The principal unemployment problems—caused by closure of the British Steel Corporation works at Corby and imports of hosiery and textile products—are seen as disturbing but particular and containable.

Mr. Ken Barnes, regional director of the Confederation of British Industry, concedes that redundancies are on the increase and that the outlook for the current year is gloomy. "But in a region as diverse as the East Midlands it is difficult to generalise and there will always be shining lights of success."

The region can point to its central location and good communications, stable industrial relations record and the many examples of entrepreneurial flair.

The public inquiry currently under way into whether the National Coal Board should be allowed to mine in the Vale of Belvoir—one of the largest untouched coal reserves in Western Europe — underlines the importance of the region in meeting the nation's energy requirements.

Opposition

The Department of Energy has already given strong backing to the NCB's application to sink three pits with the aim of extracting 7.2m tonnes of coal a year between 1990 and 2060. Opposition to mining on that scale is predictably strong in an area of scenic beauty and the inquiry is not expected to be completed until at least Easter.

The Department of Energy has made clear the importance of Belvoir to the efficient development of the nation's coal reserves. Such a project would obviously improve the performance of a coal mining region that enjoys one of the best records in the country for both productivity and profitability.

One of the biggest customers of the coal industry is also on *the doorstep: the Central* Electricity Generating Board has 15 power stations, or nearly one-fifth of total capacity in England and Wales, located in the region. The power stations on the Trent are claimed to represent the greatest concentration of generating plant in Europe.

With its concentration of manufacturing industry—nearly 40 per cent of the area's working population fall in that category compared *with a national* average of only just over 32 per cent—the region acts as a fairly good barometer of industrial activity.

Not only has unemployment begun to edge up in recent months but businessmen are also expressing concern about factors such as the rising level of inflation, escalating pay demands, high interest rates and mounting energy costs. Such views inevitably are being reflected in reduced investment intentions: where capital is being committed it is to raise efficiency rather than to expand capacity.

Mr. Michael Stamper, director of the East Midlands Engineering Employers' Association, reports that while there is widespread spare capacity within the industry, companies are seeking new export markets, particularly in Germany and France.

Typical of the problems faced by the region's important engineering industry is TI Raleigh, the Nottingham-based bicycle manufacturer. The company was forced to postpone investment and declare redundancies by a combination of factors including the high value of the pound, cost pressures and the effects of the engineering dispute.

Many engineering companies, particularly in the Leicester area, have been hit by the poor *performance of the motor* vehicles industry. But the relative boom in aerospace activity has provided some compensation, with Rolls-Royce, at Derby, performing especially well. British Rail Engineering, also at Derby, has achieved success and there is expanding demand from overseas for its products.

Buoyant demand

Of the other large-scale employers, Plessey, with 6,000 workers at Nottingham alone, enjoys buoyant demand for its telecommunications equipment. Boots, at Nottingham, looks secure in spite of the downturn in consumer spending. Agriculture and the allied processing of food and drinks, which in total employ about 100,000, is also strong.

There is concern, however, about prospects for the region's traditional industries of textiles, *clothing and footwear*, which between them account for well over one in four manufacturing *jobs. There have been a number* of redundancies among smaller concerns in the hosiery and knitwear industry, particularly around Leicester.

The main complaint of manufacturers is that the GATT multi-fibre agreement, while fine on paper, has not worked in practice. Representations are being made not only to the British Government but also to the European Commission in Brussels about the high level of low-priced imports.

While the problems of the hosiery and knitwear industry provide a lively talking point at present, their significance pales against the threat posed to Corby by British Steel Corporation's plans to end steel-making there. About 5,500 workers are expected to be made redundant in the next few months, but *that is only* the beginning. The level of jobless will continue to rise as dependent trades are affected, and unemployment in the town could climb rapidly to more than 20 per cent.

Corby, as a one-industry town, will contrast dramatically with the rest of the region. But the Government decision to declare the town a development area *has brought* a measure of relief. The additional benefits now on offer to potential new industry have stimulated a great deal of interest and there is some optimism that the impact of the closure can be eased.

While the plight of Corby has brought important public aid, the Government's new tough line on regional policy means that assistance to the intermediate area around *Alfreton*, Heanor, Worksop and Chesterfield will be phased out.

The commitment to Northampton, designated a new town, remains. However, the State-*appointed development corporation* has been so successful in recruiting jobs and workers over the past eight years that pressure is mounting for the Government to pull out and allow *free enterprise* and market forces to continue the job.

In many ways the East Midlands, with its tradition of individualism and economic strength, is attuned to the philosophy of the present Conservative Administration. Mr. Barnes of the CBI declares: "Industry in the region has been crying out for years to be rid of Government interference and State intervention. There is strong *support for the change of direction* heralded by this Government, and the East Midlands is well-placed to benefit."

Cities' diversity under attack

THE GREAT diversity of small and medium-sized businesses, which has long been the strength of both Nottingham and Leicester, is now under attack from the effects of high *interest rates and weakening* demand.

These companies, some of which are also dependent on major manufacturers in the area, are commonly experienc*ing cash flow difficulties* as a result of slow payments, and profits are being eaten up by high interest on borrowings.

As Nottingham Chamber of Commerce points out, many of *these companies would prefer* to see the Government's policy of restraint applied through credit restrictions which would affect demand rather than companies' margins.

Both cities have experienced little in the way of economic recession during the past few months, with demand in most sectors still fairly strong. Unemployment in Leicester has remained well below the national average at *less than* 5 per cent, and in Nottingham it remains steady at about the national average.

Both cities pride themselves on a good industrial relations *and somewhat* resent the difficulties created by national strikes and disputes which have little or nothing to do with them.

Fortunate spin-off

However, both have experienced problems in the last decade as a result of the decline in Britain's textile and clothing industry and Leicester com*panies have come up* against less than encouraging demand for their autumn knitwear and hosiery ranges.

For Leicester a fortunate spin-off from its shoe manufacturing activities and textile industry *has been the development* of companies making machinery for these industries. Although the industries themselves have declined locally, the machinery companies generally have remained successful, partly through exploiting export markets.

But they too have their problems. High interest rates, a rising rate of inflation and a strong pound are a formidable array of circumstances which hamper their efforts to remain competitive in difficult world markets.

Leicester companies have been both adventurous and persistent in some of the more problematic markets such as the Soviet Union, Eastern Europe and more recently China, with some notable successes. Its companies remain dependent to a certain extent on the motor industry, but they too have diversified into overseas markets.

The woodworking machinery and machine tool industries have also grown, but recently the latter has suffered from a *high level of imports, often from* Eastern European countries, which are being sold at highly-competitive prices. The printing and plastics industries in the area continue to attract investment.

As in other centres in the East Midlands, companies are being encouraged to develop new products and move away *from* dependence on industries which suffer from international pressures. But in the present economic climate the capital expenditure involved is often beyond the reach of the small or medium-sized company.

Industrial property in the Leicester area remains fairly plentiful and rental prices are well below those of other Midlands centres, but the 1m square feet of space which was on the market in the mid-1970s *has now been reduced to less* than half that figure and prime sites in the central area are difficult to find.

Both Leicester and Nottingham have suffered recently from *shortages of skilled workers* and it is now widely believed that the erosion of differentials suffered by these men over the past decade has driven many of them out of their industries and discouraged young people from entering them. However, in the short term the position is

CONTINUED ON NEXT PAGE

Imports threaten footwear and textiles

THE EAST MIDLANDS textile and footwear industries, both of which are diverse in their activities, have one major problem in common: the high level of cheap imports which have caused a steady decline in their fortunes.

About two-thirds of the British textile industry is based in the East Midlands and one in eight jobs in the area depends upon it, but in the latter part of last year it suffered a serious loss of employment.

Between June and December there were about 3,000 notified redundancies, according to the National Union of Hosiery and Knitwear Workers, and perhaps a similar number in natural wastage. Against this background unions and management in the industry are acting together to establish the facts about imports and bring pressure to bear both on the British Government and in Brussels to reduce them where possible.

It is widely held that the working of the EEC's GATT multi-fibre agreement has been less than satisfactory mainly for political reasons, and that the consequent instability in some sectors has made long-term planning and investment extremely difficult.

Mr. Duncan Clark, chairman of Courtaulds Knitwear, says the industry is not seeking protection but needs conditions under which it can make orderly investments. For this reason it is important during the re-negotiation of the agreement that some of the industry's more pressing problems are tackled, he said.

Although about 20 per cent of his company's output was exported and suffered to some extent from the value of sterling the major concern was the high level of Shetland knitwear imports, Mr. Clark said. The principal offender was Mauritius, which last year sold well over 3.5m garments in the UK and gained about 50 per cent of the domestic market.

Mr. John Harrison, director of the Knitting Industry Federation, believes the reasons for the failure to restrain these imports sooner and the decision to fix 3.5m garments as the future limit are EEC reluctance to "rock the boat" during the recent Lome II trade negotiations.

Loopholes

Although the multi-fibre arrangement had worked reasonably well, loopholes relating to the imports from Mediterranean countries had largely offset the benefits of curbs which the agreement placed on imports from the Far East, he said.

Mr. Harrison believes the new multi-fibre agreement should be as stringent as the present arrangement with even more curbs on sensitive products. He also advocates a long transitional period on imports from Spain, Portugal and Greece after their admission to the EEC, pointing out that they all have major knitting industries which could further damage the UK market.

Most other sectors of the industry have suffered from imports and factors beyond their control during the last year; the problem of over-capacity worldwide continues to affect the jersey fabrics producers; stock manufacturers have maintained a fairly constant level of activity despite a high level of imports into the EEC; and producers of stockings and tights have suffered from the popularity of jeans and trousers since the early 1970s.

The Ward White Group is among footwear makers battling against cheap imports. A range of the group's products is displayed by Mr. Philip Birch, deputy chairman and group managing director, who holds a child's shoe and a boot for oil rig work

However, changing fashions and a return to skirts have provided a welcome boost recently. Imports from the U.S. of fibres, fabrics and garments at prices which are low due to cheaper energy and oil prices in North America are a continuing irritant to the UK industry but there is little prospect of restraint since the U.S. is not part of the multi-fibre arrangement.

The East Midlands footwear industry has at least enjoyed a period of fairly stable trading, particularly in the first eight months of last year, to prepare itself for a difficult time ahead. But two factors in particular are generating pessimism: high interest rates, which many companies believe will create problems for retailers, and higher imports.

It is likely that retailers will reduce stock levels in an effort to cut the amount of capital tied up in them and will also turn to foreign shoe suppliers whose cheaper products will allow them to keep their prices down. Last year, 47 per cent of all types of footwear sold in the UK were imported and there are fears that this will rise to more than 50 per cent this year.

Imports from countries such as Taiwan, South Korea and Brazil are now retailing at 20 to 25 per cent below the price of UK manufactured footwear, and although agreement has been reached with Korea to limit imports this year the problem persists.

Brazil is widely held to be the most serious threat and the fact that its prices have remained the same for a long period despite domestic inflation, is seen as evidence that its industry is being subsidised. The UK footwear industry, largely based on the Leicester, Northampton and Nottingham area, is faced with having to pay two wage increases this year—one in March and another in September—which will raise year-on-year costs by an estimated 21 per cent.

Demand for women's shoes was particularly good last year and this sector has remained buoyant with some companies still oversold and unable to meet demand, but bootmakers are facing a difficult period and there are fears that declining demand for the high-leg boots will limit profits.

Although there have been a considerable number of redundancies at East Midlands footwear factories in the past year, there are also shortages of skilled workers. However, it is likely that competition from imports will create a steady loss of jobs unless action is taken to curb them.

In overseas markets women's shoes continue to sell well although the comparative strength of sterling against the dollar has hit U.S. sales of quality shoes.

In Europe, some inroads are being made but West German links with the Italian shoe industry are proving difficult to overcome. Most footwear companies in the area have recorded fairly good profits in the past year and are cautious rather than pessimistic about the outlook now.

Few companies are expecting to improve their performance, but despite the economic indicators markets are remaining reasonably firm.

Lorne Barling

Masterminding a games success

IN A PERIOD when the performance of games and toys companies have behaved like a yo-yo, when some have gone to the wall or suffered extreme financial difficulties, Invicta Plastics at Oadby is putting the finishing touches to a £750,000 expansion, its ninth in twice as many years.

Invicta is a family business that typifies the entrepreneurial spirit and managerial flair to be found in the Leicester area of the East Midlands, and the willingness to take on the world.

It could not hope to escape the general crisis. From being able to put out £1.25m cash on loan it was forced to borrow £5m while battered finances were repaired. The crisis passed, the £5m is well on the way to being repaid and Invicta is looking for new conquests in the export markets to which well over 50 per cent of production goes.

It has been by far the most severe crisis to hit the company, begun with an RAF war gratuity by Mr. Edward Jones-Fenleigh in a wooden shed in St. George Street, Leicester. The unlikely basis of the business was his experience in India as an armourer repairing weapons and also the Perspex turrets of fighters and bombers.

Putting this knowledge and his gratuity together and adding the yeast of a useful instinct for spotting a market, he began making "pearl" jewellery from reclaimed Perspex off scrapped war planes. "Women had been starved for years of jewellery and the demand was fantastic. We dipped the beads of perspex into what we called pearl essence—looked quite the thing, too."

The plastic was also used in point-of-sale material which became the base for further expansion and the formation of Invicta Plastics in 1955. A major turning point arrived in 1960 with what was called the Leicestershire Plan in which the blackboard and chalk in schools were relegated in favour of equipment that children could handle and learn from. Invicta made these educational aids — there are now 250 different ones that are selling particularly well in the U.S. and Canada.

From there it was a natural step into games and toys. The turning point came in 1971 when Mordechai Meirowitz, an inventor living in Israel, offered the concept of a new game to Invicta after having been turned down by bigger toy companies. Its potential was spotted, the idea was developed jointly and Master Mind was launched in 1973.

In general terms, a toy or games maker can reckon to have a successful product if he sells 50,000 over two years. By the end of 1973, 130,000 Master Mind sets had been sold and the next year it won the Game-of-the-Year award from British retailers. Master Mind became the fastest growing game and quickly was well on the way to joining Monopoly and Scrabble as a classic. So far more than 37m have been sold worldwide.

PROFILE: INVICTA PLASTICS

In the three years from 1974 four subsidiaries were opened—in New York, Nuremberg, home of the world's biggest toy trade fair, Milan and Tokyo—where everyone who tests a Celica or Laurel car is given a Master Mind.

Well over half of Invicta's output, including that of its other divisions, goes overseas, and in 1978 the company won a Queen's Award for Exports. This year it has an application for a technology award to reflect innovations in the use of electronics.

A lot of ingenuity is needed to keep demand bubbling. From an original peg board design Master Mind has developed through pocket, word, numbers, colours and shape versions and the use of computer logic. More than £1m was spent in creating the electronic versions, an example of the silicon chip helping to increase employment—in this case doubling it to more than 400.

The latest version of the game is being introduced at the British Toy Fair this week. Among other things a bleeper tells you when the problem has been solved, and a tell-tale bleeper sounds if you try to cheat by pressing the fail button to reveal the code. The expertise gained has also fostered a range of new products such as burglar and smoke alarms.

Invicta has 30 designers and others in research and development, and production is backed by more than 50 injection moulding machines, most of which are no more than two years old. Some are capable of making nearly 200 Master Mind pegs a second, and the operation is geared to three-shift working.

The company is also subject to sensitive financial arrangements. Products for the U.S., for example, are made in the opening months of the year for sale in department stores in the summer. But payment usually is not made until about November. Changes in the exchange rate, in the cost of thermo-plastics, and in the cost of finance have badly affected toy and games makers.

Invicta has survived perhaps better than most, but a 28 per cent profit on sales has crashed to 10-13 per cent—a level that is still a matter for envy by others.

Peter Cartwright

Cities' diversity

CONTINUED FROM PREVIOUS PAGE

expected to improve as companies are restricting their recruiting in advance of the predicted recession.

The major employers in the Nottingham area are Raleigh Industries (part of Tube Investments), Boots, Plessey and John Player and Son, which between them provide jobs for about 30,000 people. Holding the line is the least that can be expected because none of them expects to take on more people in the foreseeable future.

Raleigh, which accounts for about 7,000 of the total, has cut back by about 1,000 in the past year as a result of problems in export markets, mainly Nigeria and Iran, but record home market sales of nearly 1.4m bicycles in 1979 helped to offset overseas problems. Demand at home remains high and the prospects for this year are good, although the strong pound is a problem when competing with domestic producers in overseas countries.

Boots, with a workforce of more than 11,000 in Nottingham, is currently building an extension to its research department at Beeston at a cost of £4.5m but does not anticipate any marked increase in jobs. John Player employs more than 5,000 and reports good demand and favourable prospects for the year.

Plessey has two companies: Plessey Communications and Data Systems, which is mainly concerned with the manufacture of equipment such as telephones for the Post Office: and Plessey Telecommunications, which makes transmission equipment, electronic exchanges and related products.

The industrial property market in Nottingham entered the New Year with demand still remarkably buoyant, particularly for smaller premises in central areas and a large amount of space is due to come on to the market in the near future as a number of developments are completed.

With both Nottingham and Leicester Chambers of Commerce supported very largely by member companies with fewer than 250 employees, it is clear that the prospects for future growth and higher employment in the two cities depends very largely on how soon interest rates begin to fall and whether demand remains steady.

Lorne Barling

Unprecedented fall in Gold shares disturbs sentiment

Gilts ease awaiting long tap result—Equities down

Account Dealing Dates
Options

*First Dealings	Declara-tions	Last Dealings	Account Day
Jan. 14	Jan. 24	Jan. 25	Feb. 4
Jan. 28	Feb. 7	Feb. 8	Feb. 18
Feb. 11	Feb. 21	Feb. 22	Mar. 3

* "New time" dealings may take place from 9.30 am two business days earlier.

Factors contributing to a generally nervous session in stock markets yesterday included an institutional disposition to reserve funds for this morning's applications for the two tap stock offerings, yesterday's sharp fall in the price of gold and a certain amount of profit-taking in all the main investment sectors.

A lull in domestic and foreign investment demand enabled dealers to lower prices of Government securities across the board. This unsettled some short-term speculators and loose stock appeared which exacerbated the fall. Losses ranging to 1¼ points appeared against some high-coupon longs but these were usually reduced to just under a point as the market steadied.

A supporting influence for the longs was a strong belief that the £1bn Treasury 12½ per cent "A" 2003-05 tap issue, £25 per cent payable at today's tender, would be oversubscribed. Applications for the shorter stock, Exchequer 13½ per cent 1983, are not expected to be sufficient to exhaust the £800m issue, of which £60 per cent is payable at tender. In the absence of fresh support, profit-taking brought falls of about a half-point in existing shorts.

South African Gold shares sustained their biggest-ever one-day drop as the bullion price plummeted to $690 an ounce from the overnight $825. Selling of mining shares throughout the morning was heavy and emanated from many sources.

Falls among the heaviest-priced stocks were trimmed from £5 to £3½, but after the official close the tone weakened again on U.S. selling and prices were returning to their lowest of the day. Measuring the extent of the setback, the FT Gold Mines index, at 318.6, lost 33.9 of the previous week's advance of 65.5.

Unnerved by surrounding events, equities extended Monday's after-hours' reaction. Institutional interest for leading shares was virtually non-existent and the market became more uncertain in the afternoon. As with Gilts, however, a more settled tendency emerged towards the close and the FT 30-share index, down 8.9 at the 1.00 pm calculation, closed a net 7.9 off at 449.8.

Reflecting the slump in the gold price, mining issues attracted most attention in Traded options, with RTZ and Cons. Gold Fields contributing 354 and 273 deals respectively to a total of 1,260, some 500 lower than on Monday.

Banks easier

The major clearing banks ended with falls ranging to 8. Lloyds gave up that much to 308p as did NatWest, to 358p. Elsewhere, Standard Chartered closed 2 off at 498p following news of Midland's disposal of its remaining 3.74m shares in the group. Among Discounts, Alexanders hardened a penny to 213p, after 215p, on further consideration of the results and maintained dividend. Merchant banks plotted an irregular course with Wintrust a penny better at 73p following the interim figures and Antony Gibbs 2 off at 76p awaiting further news of the Hong Kong and Shanghai bid approach.

Following the Board's rejection of Marsh and McLennan's latest offer, Bowring edged forward a penny to 142p in otherwise dull Lloyds brokers. Falls among Composites ranged to 10.

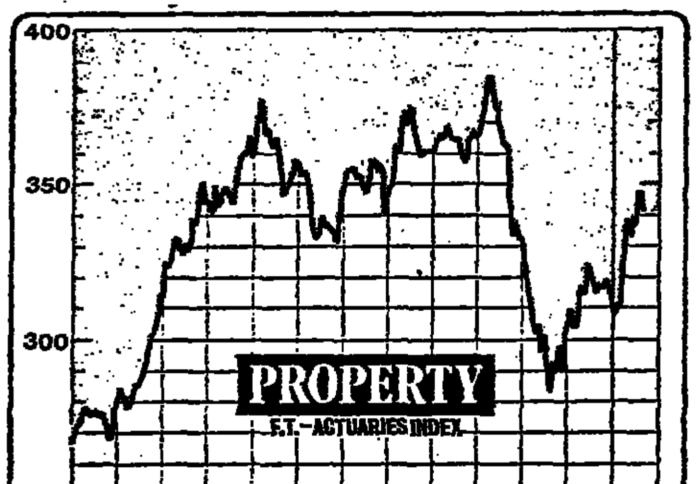
Breweries and kindred issues turned down in line with the general trend. Arthur Guinness, 188p, and Bass, 206p both gave up around 7, while Allied and Scottish and Newcastle fell 3 apiece to 80p and 60½p respectively. Reports of record whisky exports failed to inspire Distilleries; Highland, 138p, Distillers, 214p, and Arthur Bell, 194p, all eased around 3.

Already 12 down on suggestions that the company was the unnamed suitor for Armitage Shanks, Blue Circle gave further ground to end 22 down at 266p on confirmation of its agreed offer worth 95p per share; dealings in Armitage, suspended on Monday at 55½p, are expected to resume today. Other leading Building issues incurred moderate falls on profit-taking. Redland, at 166p, shed almost half of the previous day's gain of 11, while Tarmac and BPB eased 4 apiece to 196p and 179p respectively. Ready Mixed Concrete also reacted 4, to 144p, but interest was still being shown in Hoveringham issues, the ordinary adding 2 further to 72p and the Restricted Voting shares a penny more to 70p. Still awaiting news of takeover discussions, Norwest Holst eased 3 to 116p, while Burnett and Hallamshire, at 540p, relinquished all of Monday's gain of 15. Vibroplant came in for further support and, in a thin market, added 5 for a two-day gain of 15 to 255p.

Among leading Chemicals, ICI closed 8 down at 370p after subdued trading. Fisons and Hickson and Welch shed 7 apiece to 282p and 165p respectively, the latter following the chairman's annual statement. Profit-taking left recently firm Coalite and Chemical 3 cheaper at 100p.

MFI down

Profit-taking left House of Fraser 6 down at 137p after the recent strong advance on speculation concerning Lonrho's near-30 per cent stake. Elsewhere in Stores, Debenhams shed 4 to 79p as did Gussies "A" to 398p, while Marks and Spencer softened a couple of pence to 89p. A 33 per cent jump in first-half earnings by MFI Furniture failed to match the most optimistic forecasts and the shares cheapened 5 to 78p, after 77p. Reflecting the halved annual profits, Lincroft Kilgour gave up 3 to 36p, while Amber Day dipped 4 to 35p on the cautious interim statement. Firm recently on buying ahead of today's preliminary results, Bakers Household declined 6 to 101p on profit-taking. Harris Queensway also relinquished 6, to 156p, but Moss Bros. edged forward 3 to 288p on demand in a thin market.



Interest in the Electrical sector faded after the recent strong upward movement. Decca, a firm market over the past few days following the bid approach from Racal, reacted 15 to 335p with the "A" 10 down at 300p. Racal, however, were firm at 208p, helped by the £1m acoustic radio equipment contract. Profit-taking left Unitech 8 cheaper at 224p and Eurotherm 5 off at 300p, while Muirhead eased a few pence further to 226p awaiting tomorrow's preliminary statement. On the other hand, fresh demand in a limited market left Louis Newmark 8 to the good at 235p; the interim figures are due on January 31. Among the leaders, GEC fluctuated narrowly and settled only 2 lower at 353p.

Scattered offerings left Vickers 4 cheaper at 122p and GKN a similar amount lower at 265p, but other Engineering leaders ended little changed. Secondary issues presented a mixed appearance. Favourable Press mention stimulated buying of Newman Tonks which improved 3 to 66p, while James Austin firmed 4 to 68p awaiting today's half-yearly results. Further demand was forthcoming for Brown and Tawse, 3 firmer at 138p. The interim figures left Benjamin Priest a penny harder at 71p, but Comp-Air, a recent speculative favourite, reacted 5 to 71p, while profit-taking left Wadkin 5 down at 100p. Baker Perkins gave up 4 to 93p and Westland 3 to 67p, while Davy Corporation, interim results due tomorrow, eased 2 to 105p.

In Foods, Cadbury Schweppes ended a penny cheaper at 61p, after 60½p, while Rowntree Mackintosh gave up 6 to 166p and British Sugar eased 3 to a 1979-80 low of 129p.

In Hotels and Caterers, Trust House Forte, a rising market of late on good results, shed 5 to 154p. Ladbroke gave up a like amount, to 145p, on the withdrawal of speculative support, while Grand Metropolitan fell 6 to 136p.

Utd. Carriers firm

The withdrawal of institutional support coupled with sporadic profit-taking brought easier condition to the miscellaneous industrials leaders. Unilever lost 8 to 466p and Turner and Newall declined 6 to 130p, while Boots gave up 5 to 181p. Rank Organisation eased 2 to 191p, after 188p, ahead of tomorrow's preliminary results. Secondary issues paraded a few firm features. United Carriers rose 7 to 155p on speculative support fuelled by suggestions that Lex Service might launch a bid for the shares it does not already own, while Sothebys jumped 20 more to 445p on further consideration of the chairman's encouraging annual review. Up 16 the previous day on news that the company is selling a subsidiary for £3.7m cash which is to be passed on to shareholders, Gieves gained 10 more to 110p, after 115p. Johnson Matthey, however, fell 23 to 260p on profit-taking after recent strength in sympathy with precious metal prices. Still overshadowed by talk of the company bidding for Weeks Petroleum, National Carbonising fell 7 more to 122p, after 120p, while fading bid hopes left Extel 7 down at 173p.

In Properties, Land Securities encountered a moderate two-way business before sellers gained the upper hand and left the close 10 lower at 276p. Peachey encountered selling and shed 5 to 122p. The higher half-yearly profits and proposed one-for-three scrip issue made no apparent impression on McKay Securities, unchanged at 135p, but Warner Estates, annual results tomorrow, shed 5 to 190p. Percy Bilton eased 3 to 205p; we were in error with the price and change in yesterday's issue.

Oils give ground

Occasional profit-taking was reflected in a fairly widespread setback in secondary Oil shares. In view of the recent strong upward movement, however, losses were usually modest.

In Overseas Traders, Lonrho, at 100p lost 9 of last week's Press-inspired gain of 23. Inchcape shed a couple of pence to 350p in front of tomorrow's interim, but Boustead found support and rose 6 to 46p.

Scottish, English and European Textiles rose 4 to 57 following the increased first-half profits.

Bats lacked recent institutional support and the Ordinary, 263p, and the Deferred, 253p, both cheapened 7.

The sharp reverse in the gold price left South African industrials showing sizeable falls. South African Breweries, 123p, and Abercom, 130p, both lost 15, while Barlow Rand gave up 30 to 370p.

A broker's bullish circular helped Plantations to fresh gains. Bertam jumped 6 to 62p, while Kulim added 4 to 52p. Bid speculation left Barlow 8 up at 115p, while Guthrie, at 690p, also rose 8 for a similar reason. Teas generaly tended to lower levels, but Dolol were marked 55 higher at 270p to match the cash offer from Tategold.

Heavy losses in Golds

South African Gold shares suffered their biggest-ever one-day falls, ranging to nearly £5 a share, as moves by U.S. authorities to curb activity in American gold and silver markets were followed by a $135 slump in the bullion price to $690 an ounce.

The gold share market came under pressure from the outset as a follow-through of the overnight American selling caused jobbers to down mark prices.

Thereafter, heavy profit-taking saw prices continue to lose ground until the late afternoon when an attempt at a rally encouraged a fresh wave of selling—notably from the U.S.

Consequently, closing quotations were the day's lowest and the Gold Mines index registered a heavy fall of 33.9 to 318.6.

Heavyweights showed "Amgold" £4¾ off at £38, GFSA £3½ down at £30½ and falls of £2 and sometimes more common to Durban Deep, £12¼, West Driefontein, £34¼, Vaal Reefs, £29, and Free State Geduld, £23¾. In the medium and lower-priced issues, Libanon dropped 124 to 876p, Harmony 94 to 745 and Unisel 74 to 449p.

Financials mirrored Golds. Anglo American Corporation fell 55 to 605p, while Union Corporation lost a like amount to 600p. Among the London issues, Gold Fields were hardest hit by the slump in the bullion price and closed 34 down at 442p. Selection Trust gave up 32 to 644p, Charter 12 to 148p and Rio Tinto-Zinc 28 to 382p; the last named were additionally burdened by the sharp reaction in copper.

Widespread and heavy profit-taking in Australians caused substantial losses across the board.

The Rundle oil-shale partners showed Central Pacific £2 off at £22. Among the base-metal leaders, MIM Holdings relinquished 19 to 285p despite their sharply higher half-year earnings, BH South 25 to 220p, Conzinc Riotinto 18 to 260p and Western Mining 15 to 222p.

The recent speculative favourites showed Whim Creek 10 lower at 80p, North Kalgurli 6 cheaper at 51p and Swan Resources 5 down at 57p.

Platinums were featured by Rustenburg which fell 62 to 258p following the steep decline in the free market platinum price and the chairman's forecast of "modest" dividends.

FINANCIAL TIMES STOCK INDICES

	Jan. 22	Jan. 21	Jan. 18	Jan. 17	Jan. 16	Jan. 15	A year ago
Government Secs.	68.75	69.25	68.53	68.30	68.52	68.06	66.99
Fixed Interest	69.42	69.61	68.99	68.80	68.85	68.49	69.18
Industrial	449.8	457.7	459.8	460.6	455.5	441.7	487.6
Gold Mines	318.6	352.5	360.4	339.0	355.1	337.0	160.1
Ord. Div. Yield	7.27	7.16	7.14	7.26	7.20	7.41	6.22
Earnings, Yld. % (full)	18.07	17.77	17.72	18.02	17.85	18.39	16.31
P/E Ratio (net) (*)	6.80	6.91	6.95	6.83	6.90	6.70	7.93
Total bargains	24,687	28,711	29,778	26,215	27,000	25,427	—
Equity turnover £m	—	153.62	181.57	139.97	157.05	115.87	56.83
Equity bargains total	—	22,506	20,096	19,650	20,113	17,281	11,937

10 am 454.3. 11 am 453.8. Noon 451.1. 1 pm 448.8.
2 pm 449.9. 3 pm 449.5.
Latest Index 01-246 8026.
*Nil = 6.58.

†Corrected. Jan. 18 Speculative index corrected to 143.7 and 5-day average to 128.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979/80 High	1979/80 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	78.91 (4/5)	63.50 (10/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (8/5)	64.06 (16/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	406.3 (15/11)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	360.4 (18/1/80)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/6/40)

S.E. ACTIVITY

	Jan. 22	Jan. 21
—Daily		
Gilt Edged	157.2	160.5
Industrials	147.4	149.9
Speculative	131.5	164.8
Totals	109.5	110.5
5-d'y Av'r'ge		
Gilt Edged	155.2	160.6
Industrials	141.8	140.8
Speculative	146.2	143.6
Totals	107.3	106.5

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tues., Jan. 22, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., Jan. 21 Index No.	Fri., Jan. 18 Index No.	Thurs., Jan. 17 Index No.	Wed., Jan. 16 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	229.74	−1.2	18.94	6.77	6.66	232.48	231.45	226.67	227.69	230.33
2	Building Materials (27)	219.07	−2.3	17.96	7.02	7.15	224.22	221.16	214.03	213.36	205.46
3	Contracting, Construction (29)	346.34	−1.2	26.66	6.99	4.64	350.58	348.70	340.86	340.80	351.80
4	Electricals (15)	583.35	−0.5	13.88	4.26	9.60	586.26	587.55	578.21	586.37	537.14
5	Engineering Contractors (11)	294.31	−0.8	26.35	8.70	4.85	296.78	296.72	291.71	290.51	359.55
6	Mechanical Engineering (74)	160.74	−1.0	21.37	8.07	5.78	162.32	161.71	158.92	159.61	179.16
8	Metals and Metal Forming (16)	159.85	−1.6	20.86	9.58	5.76	162.47	161.10	157.69	157.36	159.37
	CONSUMER GOODS										
11	(DURABLE) (50)	209.23	−0.3	17.06	5.83	7.24	209.78	209.07	206.36	207.29	206.00
12	Lt. Electronics, Radio, TV (15)	286.50	+0.1	13.38	4.49	9.59	286.25	285.33	281.61	283.80	261.52
13	Household Goods (14)	114.39	+0.1	26.46	9.47	4.57	114.23	114.64	113.63	114.53	165.57
14	Motors and Distributors (21)	111.99	−1.2	24.00	8.32	4.92	113.35	112.74	111.18	110.73	118.00
	CONSUMER GOODS										
21	(NON-DURABLE) (173)	222.33	−2.0	18.15	6.81	6.79	226.99	226.65	221.79	223.19	207.27
22	Breweries (14)	265.29	−3.1	16.70	6.59	7.00	273.68	273.08	266.35	265.43	226.90
23	Wines and Spirits (5)	318.00	−1.5	17.07	5.83	7.23	322.79	322.01	317.60	317.61	298.68
24	Entertainment, Catering (17)	297.75	−3.2	18.75	7.03	6.71	307.55	310.41	302.04	308.04	270.31
25	Food Manufacturing (19)	202.30	−1.5	20.03	7.20	6.17	205.38	205.21	201.90	203.44	197.42
26	Food Retailing (15)	319.37	−1.9	12.90	4.44	9.27	325.52	321.59	316.76	318.59	227.66
32	Newspapers, Publishing (13)	426.06	−1.5	23.40	7.05	5.88	432.54	427.83	422.39	424.29	385.76
33	Packaging and Paper (15)	124.83	−1.5	23.86	9.10	5.39	126.72	125.89	123.56	124.73	133.66
34	Stores (43)	217.87	−1.9	14.13	5.23	9.14	222.12	221.87	215.04	216.14	191.51
35	Textiles (23)	129.95	−1.8	27.99	12.46	4.53	132.33	132.61	132.38	133.44	176.33
36	Tobaccos (3)	216.68	−2.1	26.31	10.29	4.29	221.33	221.71	218.46	220.73	236.63
37	Toys and Games (6)	43.66	−0.4	37.49	16.40	3.37	43.85	43.62	43.48	44.02	89.91
41	OTHER GROUPS (97)	199.39	−1.8	15.78	6.76	7.71	203.03	202.29	198.98	200.24	194.93
42	Chemicals (17)	293.96	−1.8	16.67	6.83	6.93	299.39	299.75	296.59	298.37	274.24
43	Pharmaceutical Products (7)	206.89	−1.8	12.31	6.18	9.91	210.69	209.91	207.34	210.68	238.01
44	Office Equipment (6)	109.40	−1.1	17.91	7.81	6.90	110.66	109.15	105.87	107.84	136.65
45	Shipping (10)	430.80	−1.9	12.29	7.50	10.39	439.36	432.44	420.56	424.77	425.88
46	Miscellaneous (57)	236.77	−1.9	16.81	6.66	7.54	241.25	240.19	235.48	235.34	211.20
49	INDUSTRIAL GROUP (492)	224.68	−1.6	17.70	6.72	6.99	228.44	227.78	223.35	224.64	216.61
51	Oils (8)	700.97	−1.4	16.03	6.81	6.74	710.74	714.28	715.28	718.40	501.80
59	500 SHARE INDEX	262.51	−1.6	17.37	6.74	6.94	266.76	266.41	262.35	263.79	240.31
61	FINANCIAL GROUP (117)	192.03	−1.7	—	5.75	—	195.28	193.55	189.86	191.25	168.50
62	Banks (6)	224.92	−2.0	36.98	5.78	3.45	229.61	226.46	223.68	223.51	203.19
63	Discount Houses (10)	240.49	+0.1	—	8.25	—	240.14	239.59	241.11	237.86	213.11
64	Hire Purchase (5)	182.86	−0.9	19.37	5.20	6.54	184.58	182.52	183.14	186.27	163.56
65	Insurance (Life) (10)	159.89	−1.5	—	6.58	—	162.32	159.91	156.67	157.54	132.34
66	Insurance (Composite) (9)	127.77	−2.1	—	7.60	—	130.56	128.66	126.68	129.15	118.96
67	Insurance Brokers (10)	294.88	−1.7	16.91	6.65	8.46	299.96	299.52	287.39	288.27	294.66
68	Merchant Banks (14)	98.31	+0.3	—	6.05	—	98.05	98.26	95.67	95.24	79.59
69	Property (44)	341.48	−1.6	3.86	3.14	37.11	347.07	346.93	336.78	339.44	272.13
70	Miscellaneous (9)	129.06	−0.6	16.10	7.07	8.15	129.82	128.82	128.88	130.95	112.10
71	Investment Trusts (109)	211.36	−0.8	—	5.83	—	212.96	210.35	207.65	207.60	210.10
81	Mining Finance (4)	185.99	−6.8	12.39	4.75	9.80	199.51	195.62	186.67	185.87	111.59
91	Overseas Traders (20)	377.61	−1.4	13.04	6.85	9.35	383.11	377.02	369.95	365.30	317.28
99	ALL-SHARE INDEX (750)	245.64	−1.7	—	6.46	—	249.91	248.89	244.72	245.89	221.72

FIXED INTEREST PRICE INDICES

	British Government	Tues., Jan. 22	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	101.53	−0.26	—	0.45
2	5-15 years	107.53	−0.71	—	1.55
3	Over 15 years	114.55	−0.81	—	0.24
4	Irredeemables	134.32	−0.71	—	0.00
5	All stocks	107.68	−0.59	—	0.63

FIXED INTEREST YIELDS
British Govt. Av. Gross Red.

			Tues., Jan. 22	Mon., Jan. 21	Year ago (approx.)
1	Low	5 years	11.89	11.79	10.85
2	Coupons	15 years	11.89	11.79	11.85
3		25 years	11.89	11.79	12.65
4	Medium	5 years	14.03	13.88	13.24
5	Coupons	15 years	13.43	13.31	13.24
6		25 years	13.31	13.20	13.24
7	High	5 years	14.47	14.31	13.33
8	Coupons	15 years	13.89	13.76	13.78
9		25 years	13.68	13.45	13.77
10	Irredeemables		10.96	10.88	12.32

		Tues. Jan. 22 Index No.	Tues. Jan. 22 Yield %	Mon. Jan. 21	Friday Jan. 18	Thurs. Jan. 17	Wed. Jan. 16	Tues. Jan. 15	Mon. Jan. 14	Friday Jan. 11	Year ago approx.
15	20-yr. Red. Deb & Loans (15)	50.87	†14.54	50.87	50.63	50.31	49.92	49.83	49.76	49.55	54.36
16	Investment Trust Prefs. (15)	47.91	14.07	47.83	47.78	46.99	47.00	47.00	46.90	46.88	50.76
17	Coml. and Indl. Prefs. (20)	61.96	14.46	61.56	61.81	61.68	62.14	61.89	61.64	61.57	72.14

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 14p, by post 22p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979-80 high	1979-80 low
RTZ	25p	16	382	−28	410	226
Cons. Gold Fields	25p	13	442	−34	482	178
Rustenburg Plat.	R0.10	11	258	−62	326	94
ICI	£1	9	370	− 8	415	314
BP	25p	8	348	− 2	406	220½
Charter Cons.	2p	8	148	−12	162	69
GEC	25p	8	353	− 2	456	311
Grand Met.	50p	8	136	− 6	178½	110½
Lonrho	25p	8	100	− 9	109	62
Tricentrol	25p	8	272	− 2	284	148
Barclays Bank	£1	7	428	− 8	514	360
Debenhams	25p	7	79	− 4	98	59
Johnson Matthey	£1	7	260	−23	285	183
Messina	R0.50	7	178	−12	190	56
Shell Transport	25p	7	324	− 8	402	278

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jan. 21	Feb. 1	Apr. 24	May 6
Feb. 4	Feb. 15	May 8	May 19
Feb. 18	Feb. 29	May 29	June 9

For rate indications see end of Share Information Service

Feb. 18 Feb. 29 May 29 June 9

Call options were arranged in Marks and Spencer, Premier Oil, Vickers, Lonrho, BP, John Brown, Ladbroke Warrants, M & G Holdings, Coral Leisure, Carrington Viyella, Poseidon, Burmah, C. T. Bowring, Courtaulds, Birmid Qualcast, Kitchen Queen and Kuala Lumpur Kepong. Puts were done in Poseidon, FNFC, Loraine and North Kalgoorlie, while doubles were transacted in BSG and Lonrho.

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	325	24	2	38	—	—	—	348p
BP	350	3	6	27	1	—	—	"
BP	375	½	20	18	—	—	—	"
BP	390	—	—	—	—	27	10	"
BP	400	½	27	11	1	—	—	"
Com. Union	140	4	10	13	—	17	—	143p
Com. Union	200	¼	5	—	—	—	—	"
Cons. Gold	280	168	1	178	—	189	—	448p
Cons. Gold	300	148	1	159	—	171	10	"
Cons. Gold	330	118	2	132	—	147	—	"
Cons. Gold	360	88	—	103	4	124	1	"
Cons. Gold	390	58	13	79	11	103	10	"
Cons. Gold	420	28	54	58	12	84	—	"
Cons. Gold	450	2	103	37	41	63	—	"
Cons. Gold	500	—	—	25	10	45	—	"
Courtaulds	80	½	15	6½	5	8	—	76p
Courtaulds	90	¼	20	3	—	4	—	"
Courtaulds	100	¼	3	—	—	—	—	"
Courtaulds	120	—	5	—	—	—	—	"
GEC	330	28	8	50	—	66	—	353p
GEC	360	2	2	30	—	46	—	"
GEC	390	½	15	16	—	32	—	"
Grand Met.	138	1	1	—	—	—	—	136p
Grand Met.	140	—	—	9	36	16	—	"
Grand Met.	158	½	8	—	—	—	—	"
Grand Met.	160	—	—	4	2	9	65	"
Grand Met.	178	½	10	—	—	—	—	"
ICI	330	42	—	50	10	63	—	371p
ICI	360	12	22	27	2	42	—	"
ICI	390	½	5	12	—	26	18	"
ICI	420	¼	15	—	—	—	—	"
Land Secs.	260	16	15	32	—	40	—	275p
Land Secs.	280	¾	4	19	—	29	—	"
Land Secs.	300	½	—	10	5	19	—	"
Land Secs.	330	½	2	4	—	10	—	"
Marks & Sp.	80	10	—	14½	25	18	1	89p
Marks & Sp.	90	1	36	8½	15	12	—	"
Marks & Sp.	100	¼	—	5	2	7½	4	"
Marks & Sp.	110	¼	7	2½	—	4½	—	"
Marks & Sp.	120	¼	—	2	20	—	—	"
Shell	350	½	3	—	—	—	—	325p
Shell	360	—	—	11½	6	18	—	"
Shell	375	½	21	—	—	—	—	"
Shell	400	½	41	—	—	—	—	"
Totals			500		208		117	
		February		May		August		
Boots	180	9	—	17	25	25	—	181p
Imperial Gp.	70	9½	—	10½	4	13½	—	78p
Imperial Gp.	80	2	—	4	35	7	—	"
Racal Elec.	200	17	2	32	—	39	—	207p
Racal Elec.	220	6	15	21	—	29	—	"
RTZ	300	96	2	113	—	120	—	387p
RTZ	330	66	95	87	4	100	—	"
RTZ	360	36	7	63	92	77	—	"
RTZ	390	20	85	44	19	59	—	"
RTZ	420	10	6	28	1	40	45	"
Totals			210		180		46	

NEW HIGHS AND LOWS FOR 1979/80

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979-80.

New highs (26)

AMERICANS (3)
Chesebrough-Ponds' Rockwell
Texaco
BANKS (1)
Arbuthnot Latham
BUILDINGS (1)
Nottingham Brick
STORES (1)
Moss Bros.
ELECTRICALS (3)
Pifco United Scientific
Pifco A
FOODS (1)
Barr (A. G.)
INDUSTRIALS (3)
Applied Computer T. Sotheby (P. B.)
Gieves Group
NEWSPAPERS (1)
Int. Thompson Cov.
PROPERTY (1)
Muckiow (A. & J.)
TRUSTS (2)
Int. Inv. Tst. Jersey Maledie
OIL AND GAS (4)
Aran Energy Gas and Oil Acreage
CCP North Sea Santos
RUBBERS (5)
Barlow Holdings Guthrie
Bertam Cons. Harrisons Malaysian Estates
Castlefield

New lows (14)

STORES (2)
Amber Day Cope Sportswear
ELECTRICALS (1)
Philips' Lamps
ENGINEERING (1)
Lloyd (F. H.)
FOODS (1)
British Sugar
INDUSTRIALS (4)
Courtney Pope Metroy
Inter-City "W" Ribbons
NEWSPAPERS (1)
Black (A. and C.)
PAPER (2)
L.C.A. Oxley Printing
TEXTILES (2)
Shiloh Spinners Carrington Viyella

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	81	9
Corpns. Dom. and Foreign Bonds	5	21	40
Industrials	158	495	749
Financial & Prop.	84	225	189
Oils	8	23	11
Plantations	15	7	6
Mines	105	11	32
Others	61	33	68
Totals	437	896	1,104

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
†70	F.P.	—	92	82	††Bio-kil Chem. 10p	90	+2	t4.9	1.2	7.8	14.3
363	160	20/2	182	128	B.P. 'New'	141	−5	§15.75	6.8	6.5	6.4
§90	F.P.	11/1	112	101	Conder Intl.	112	+1	b7.0	2.9	8.9	4.3
§80	F.P.	7/3	104	98½	Emess Lighting	101	......	b6.0	3.0	8.5	4.5
"	F.P.	25/1	145	119	Haynes P'blish'g 20p	141	−2	bd6.0	2.1	6.1	9.5
£10	F.P.	—	£10½	£10	Sel Mkt TstPrtRedPrf	£10⅛	...	—	—	—	—
"	F.P.	11/1	78	68	Spring Grove 10p	77	−1	b4.0	1.8	7.4	10.6
‖‖	F.P.	—	£27	£25¼	WereldhaveNVDFL 20	£25¼	−¾	QFl.6	1.1	5.3	16.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price £	+ or −
"	F.P.	19/12	95	90½	Amber Day 10½% Cum. Red. Pref. '99-02	95	......
"	£10	28/2	10¼	10½	B'mem'th & District W'ter Red.Pref.1985	10⅛	......
"	F.P.	31/1	99	93½	Bristol Waterworks 8% Red. Pref. 1984	94	+¼
..	F.P.	22/1	98	90	Dundonian 11½% Cum. Conv. Pref	98	.. ..
..	F.P.	8/2	86p	85p	Hewitt (J.) 10pc Cum Pref.	86p	.. ..
"	F.P.	25/1	91½	91½	Mid-Sussex Water 7% Red. Pref. 1985New	91½	......
"	F.P.	15/2	88½p	78p	Thorn Elec. 7%Con.Red.2ndCumPrf92-99	87p	−1

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date		1979/80 High	1979/80 Low	Stock	Closing Price p	+ or −
12½	Nil	24/1	21/2	11pm	8pm	Associated British Engineering	10½pm	−½
40	F.P.	22/1	29/2	88	69	Elson & Robbins	86pm	......
560	F.P.	3/1	24/1	795	660	Hammerson Prop. & Inv. Trust	795	......
60	F.P.	5/1	24/1	780	650	Do. A	785	......
A$1	Nil	—	—	45pm	20pm	Hanimex Corp.	35pm	......
12½	F.P.	7/1	28/1	26	17½	Laganvale Estates	26	+1
60cts	Nil	—	—	410pm	190pm	Pancontinental	385pm	−26
200	F.P.	3/12	1/2	222	200	Pilkington Bros	218	−4
54	F.P.	11/1	15/2	49½	44	Wearwell	48½	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 Income shares and 10 Capital shares at 125p per unit. † Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Tst. O'seas [illegible]
Next dealing January [illegible]
Lloyds Trust Gilt [illegible]
Next dealing Jan. 23.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)
Lloyds Int. Growth [illegible]
Lloyds Int. Income [illegible]

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588
[illegible]

Midland Bank Tst. Corp. (Jersey) Ltd.
28-34, Hill St., St. Helier, Jersey. 0534 36281
Midland Drayton Gilt [illegible]

Samuel Montagu Ldn. Agents
114, Old Broad St., EC2. 01-588 6464
[illegible]

Murray, Johnstone (Inv. Adviser)
163, Hope St., Glasgow, C2. 041-221 5521
*Hope St. Fd. [illegible]
*Murray Fund [illegible]
*NAV Jan. 15.

Nat. Westminster Jersey Fd. Mgrs. Ltd.
45 La Motte St., St. Helier, Jersey 0534 36241
High Income Fund [illegible]
Equity Fund [illegible]

Negit S.A.
10a Boulevard Royal, Luxembourg
NAV Jan. 18 [illegible]

Negit Ltd.
Bank of Bermuda Bldgs., Hamilton, Bmda.
NAV Oct. 19 [illegible]

Pacific Basin Fund
10a Boulevard Royal, Luxembourg
NAV Jan. 22 [illegible]

Phoenix International
PO Box 77, St. Peter Port, Guernsey.
[illegible]

Providence Capitol Life Ass. (C.I.)
[illegible]

Quest Fund Mngmnt. (Jersey) Ltd.
PO Box 194, St. Helier, Jersey.
[illegible]

Richmond Life Ass. Ltd.
48, Athol Street, Douglas, I.O.M.
[illegible]

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey.
[illegible]

Rothschild Asset Mgt. (Bermuda)
P.O. Box 664, Bk. of Bermuda Bld., Bermuda
Reserve Assets Fd. [illegible]
Prices on Jan. 14. Next dealing Jan. 21.

Royal Trust (C.I.) Fd. Mgt. Ltd.
P.O. Box 194, Royal Tst. Hse., Jersey. 0534 27441
R.T. Int'l. Fd. [illegible]
R.T. Int'l. (Jsy.) Fd. [illegible]
Prices Jan. 22. Next dealing Jan. 29.

Save & Prosper International
Dealing to:
P.O. Box 73, St. Helier, Jersey 0534 73933
[illegible]

Schlesinger International Mngt. Ltd.
41, La Motte St., St. Helier, Jersey. 0534 73588
[illegible]

Schroder Life Group
Enterprise House, Portsmouth. 0705 27733
International Funds
[illegible]

J. Henry Schroder Wagg & Co. Ltd.
120, Cheapside, E.C.2.
[illegible]

Sentry Assurance International Ltd.
[illegible]

Singer & Friedlander Ldn. Agents.
[illegible]

Stronghold Management Limited
[illegible]

Surinvest (Jersey) Ltd. (x)
[illegible]

Sun Alliance Fund Mangmt. Ltd.
[illegible]

Target Trust Mngrs. (Cayman) Ltd.
[illegible]

TSB Unit Trust Managers (C.I.) Ltd.
[illegible]

TSB Gilt Fund Managers (C.I.) Ltd.
10 Wharf St., St. Helier, Jersey (CI). 0534 73494
TSB Gilt Fund [illegible]
TSB Gilt Fd. (Jsy.) [illegible]
Prices on January 23. Next sub. day January 30.

Tokyo Pacific Holdings N.V.
Intimis Management Co. N.V., Curacao.
NAV per share January 14 [illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V.
Intimis Management Co. N.V., Curacao.
NAV per share January 14 [illegible]

Tyndall Group
P.O. Box 1256 Hamilton 5, Bermuda.
[illegible]

Union-Investment-Gesellschaft mbH
[illegible]

Utd. Intnl. Mngmnt. (C.I.) Ltd.
14, Mulcaster Street, St. Helier, Jersey.
[illegible]

Vanbrugh Fund Managers Intl. Ltd.
[illegible]

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2.
[illegible]

Warburg Invest. Mngt. Jrsy. Ltd.
[illegible]

World Wide Growth Management
[illegible]

Wren Commodity Trust
[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Group (a)(g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Trust Management (a)(g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carliol Unit Fd. Mgrs. Ltd.

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Confederation Funds Mgt. Ltd.

Cosmopolitan Fund Managers

Crescent Unit Tst. Mgrs. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd.

Friends' Provdt. Unit Tr. Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers

Gibbs (Antony) Unit Tst. Mgs. Ltd.

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd.

Key Fund Managers Ltd.

Kleinwort Benson Unit Managers

L. & C. Unit Trust Management Ltd.

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster

NEL Trust Managers Ltd.

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group

Pearl Trust Managers Ltd.

Pelican Units Admin. Ltd.

Perpetual Unit Trust Mngmt.

Practical Invest Co. Ltd.

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd.

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management

Rowan Unit Trust Mngt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd.

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Trustee Savings Bank Unit Trust Managers

TSB Unit Trusts

Ulster Bank

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Co. Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Co. Ltd.

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Gartmore Bonds

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

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Standard Life Assurance Company

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Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

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Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barclays Unicorn Int. (Ch. Is.) Ltd.

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Group

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Hill Samuel Investment Mgmt. Intnl.

N.V. Interbeheer

International Pacific Inv. Mngt. Ltd.

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Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Kemp-Gee Management Jersey Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mgrs.

Kleinwort Benson Limited

Lazard Brothers & Co. (Jersey) Ltd.

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FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

1979-80 High	Low	Stock	Price	+ or –	Int.	Red. Yield
103¼	96	FFI 13pc 1981	98½	......	13.20	14.61
103¾	94	Do. 14pc '83	96¾	+¼	14.46	15.09
86½	77½	ICFC 5½pc Deb. '80-82	84	......	6.69	13.77
85	69	Do. 6¾pc Db. '81-84	74	–½	8.61	14.30
99	79½	Do. 10¼pc Uns. Ln. '86	85xd	......	12.35	14.30
99	77	Do. 11pc Uns. Ln. '88	84xd	–½	13.09	14.00
101½	80	Do. 11¾pc Uns. Ln. '90	86xd	–½	13.66	14.40
72½	54½	Do. 7½pc A Deb. '89-92	60	......	12.37	14.40
69	51½	Do. 7½pc A Db. '91-94	59½	......	12.78	14.40
70	64	Do. 9pc 'A' '91-94	70	......	13.51	14.60
78½	61	Do. 8¾pc Ln. '92-97	65¼xd	+¾	13.60	14.20
102	85	Do. 12½pc Uns. Ln. 1992	93½	+½	13.32	—

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

1979-80 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
110	59	Clive Dis'nt 20p	79	–1	5.35	—	9.6	—
224	121	Com'l Aus. (SA1)	140	+3	Q18c	3.0	6.6	5.0
*£17	862	Com'zbk DM 10	862	......	Q26.69%	—	8.1	—
£18½	900	C'hgn. Hdk. Kr100	975	......	Q12%	—	11.4	—
41	20	Corinthian 10p	40	+1	†1.05	5.9	3.8	4.6
£24¾	£15	Cred. France F75	£18⅛	......	Q9.37%	—	3.6	—
11	5	Dawes (G. R.)	10	......	—	—	—	—
*£119½	£62½	Deutsche Bank DM50	£63	......	Q28.12%	—	5.8	—
90	55	F. C. Finance	65	......	2.2	4.9	4.8	6.0
16¾	5¼	First Nat. 10p	15¼	......	—	—	—	◆
4	1½	Do. Wrrts. 75-83	2¾	–¼	—	—	—	—
266	178	Gerrard Natnl.	226	......	†9.12	—	5.8	—
78	38	Gibbs (A.)	76	–2	2.2	—	4.1	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

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[illegible]

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[illegible]

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[illegible]

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[illegible]

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[illegible]

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[illegible]

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EASTERN RAND

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FAR WEST RAND

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O.F.S.

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MINES—Continued

CENTRAL AFRICAN

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
430	97	Coronation	400	−30	Q54c	2.2	7.7
675	132	Falcon Rh.50c	650	−25	Q100c	1.7	10.6
48	11	Rhod'n Corp. 16½p	44	−2	0.56	6.5	1.8
267	70	Roan Cons. K4	257	−10	Q0.125	ϕ	3.0
67	26	Wankie Col. Rh.1	61	−4	Q9c	1.5	10.2
57	9	Zam.Cpr.SBD0.24	50	−4	—	—	—

AUSTRALIAN

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
28	18	Acmex 50c	25	......	—	—	—
18	4	ACM 20c	17	−1	—	—	—
91	50	Bond Corp.	91	+11	Q3.75	2.2	2.1
173	100	Bougainville 50 Toea	164	−9	†Q15c	1.0	4.8
245	84	BH South 50c	220	−25	♦	—	—
21	8	Carr Boyd 20c	21	+1	—	—	—
£25	340	Central Pacific	£22	−2	—	—	—
318	170	Conzinc Riotinto 50c	260	−18	NQ10c	2.0	2.0
36	14	Coltus Pacific N.L.	21	......	—	—	—
*44	2½	Eagle Corp. 10c	41	−3	—	—	—
22	11	Endeavour 20c	22	......	—	—	—
228	62	G. M. Kalgoorlie 25c	214	−14	Q3c	—	0.7
305	148	Hamptn Areas 5p	295xd	−5	3.5	2.8	1.7
75	20	Haoma Gold N.L.	32	−2	—	—	—
71½	25	Metals Ex. 50c	63	−4	—	—	—
304	134	M.I.M. Hldgs. 50c	285	−19	††Q16.1c	1.8	2.9
25	15	Minefields Expl.	25	......	—	—	—
114	30	Mount Lyell 25c	114	+2	—	—	—
44	13	Newmetal 20c	24	......	—	—	—
167	91	††North B. Hill 50c	158	−5	Q12c	1.4	3.9
57	4½	Nth. Kalgurli	51	−6	—	—	—
165	45	Nth. Mining Corp.	126	−2	—	—	—
71	18	N. West Mining N.L.	24	−2	—	—	—
193	76	Oakbridge $A1	186	+4	Q12c	4.7	3.4
112	22	Otter N. L.	100	−2	—	—	—
134	58	Pacific Copper	124	−6	—	—	—
*575	125	Pancont'l 25c	400	−35	—	—	—
*62	2	Paringa M&Ex.5p	58xr	−4	—	—	—
450	248½	Peko-Wallsend 50c	420	−10	†Q17.5c	ϕ	2.2
217	125	Selfrust A	198	−2	—	—	—
900	145	Southern Pacific	825	−15	—	—	—
*62	8½	Swan Resources 20c	57	−5	—	—	—
16	12	West Coast 25c	13	......	—	—	—
237	121	Westn. Mining 50c	222	−15	Q7c	1.6	1.7
28	8	Westmex	25	+3	—	—	—
94	40	Whim Creek 20c	80	−10	—	—	—
25	10½	York Resources	16	−3	—	—	—

TINS

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	30	+2	1.0	1.9	6.0
435	265	Ayer Hitam $M1	295	......	Q290c	0.9	20.0
72	48	Beralt Tin	55	+3	4.5	ϕ	12.1
270	155	Berjuntai $M1	155	......	†Q95c	1.0	‡
190	125	Geevor	165	......	8.71	3.1	7.5
11	8	Gold & Base 12½p	11	......	—	—	—
365	295	Gopeng Cons.	345	......	Z17.0	ϕ	7.0
370	289	Hongkong	300	......	35.87	ϕ	17.1
98	64	Idris 10p	95	+2	†8.0	1.6	12.0
15	9¼	Jantar 12½p	14	......	—	—	—
95	38	Kamunting $M0.50	65	......	Q47½c	1.1	16.4
620	210	Killinghall $M1	300	......	Z060c	—	4.1
585	365	Malay Dredging $M1	570	−5	†Q105c	2.6	3.8
57	26	Pahang	27	......	0.44	0.3	2.4
123	60	Pengkalen 10p	105	......	24.0	ϕ	5.4
275	195	Petaling $M1	230	......	Q150c	ϕ	13.3
87	53	Saint Piran	60	......	‡2.5	6.4	‡
58	34	South Crofty 10p	41	......	‡3.0	2.0	‡
230	170	South Kinta $M0.50	195	......	Q150c	1.0	15.7
430	285	Sthn Malayan $M1	365	......	Q175c	2.1	9.8
310	210	Sungei Besi $M1	240	......	†Q520c	1.0	44.3
75	25	Supreme Corp. $M1	35	......	Z010c	—	5.8
105	93	Tanjong 15p	100	......	7.5	0.7	10.7
115	90	Tongkah H. Tin	90	......	Q45c	1.3	11.2
280	190	Tronoh $M1	235	......	†Q25c	5.2	2.2

COPPER

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
190	56	Messina R0.50	178	−12	Q10c	ϕ	3.2

MISCELLANEOUS

1979-80 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
81	54	Barymin	66	......	—	—	—
14½	10	Burma Mines 17½p	13	......	—	—	—
460	170	Cons. Murch. 10c	427	−33	Q100c	ϕ	13.4
585	290	Northgate C$1	540	−10	—	—	—
410	226	R.T.Z.	382	−28	†11.5	3.4	4.3
31	12	Robert Mines	23	+1	—	—	—
65	26	Sabina Inds. C$1	37	......	—	—	—
880	470	Tara Exptn. $1	560	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- § Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ *Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.*
- ★ *Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.*
- ♦ Excluding a final dividend declaration.
- ♦ Regional price.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospecus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −	IRISH	Price	+ or −
Albany Inv. 20p	27	......			
Bertam	16	......			
Bdg'wtr. Est. 50p	360	−5	Conv. 9% '80/82	£86	+⅛
Clover Croft	58	......	Nat. 9¾% 84/89	£71⅝	......
Craig & Rose £1	£10½	......	Fin. 13% 97/02	£85⅛	−½
Dyson (R. A.) A	11	−1	Alliance Gas	67	......
Fife Forge	39	......	Arnott	340	......
Finlay Pkg. 5p	19	......	Carroll (P.J.)	56	+4
Graig Ship. £1	875	......	Clondalkin	85	......
Higsons Brew.	83	......	Concrete Prods.	85xd	+5
Holt (Jos) 25p	255	......	Heiton (Hldgs.)	35	+3
I.O.M. Stm. £1	130	......	Ins. Corp.	200	......
Pearce (C. H.)	385	+15	Irish Ropes	66	......
Peel Mills	35	......	Jacob	35	+2
Sheff. Refrshmt	98	......	T.M.G.	125	......
Sindall (Wm.)	165	......	Unidare	82	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	8	I.C.I.	22	Utd. Drapery	9
BOC Intl.	6	"Imps"	7	Vickers	14
B.S.R.	5	I.C.L.	45	Woolworths	6½
Babcock	12	Inveresk	5	**Property**	
Barclays Bank	30	Ladbroke	15	Brit. Land	7
Beecham	13	Legal & Gen.	14	Cap. Counties	9
Blue Circle	25	Lex Service	10	Land Secs.	25
Boots	17	Lloyds Bank	24	MEPC	17
Bowaters	16	"Lofs"	3½	Peachey	13
B.A.T.	25	London Brick	6	Samuel Props.	12
Brown (J.)	7	Lucas Inds.	20	Town & City	2
Burton 'A'	22	"Mams"	14	**Oils**	
Cadburys	5½	Mrks. & Spncr	9	Brit. Petroleum	28
Courtaulds	8	Midland Bank	30	Burmah Oil	15
Debenhams	8	N.E.I.	5	Charterhall	6½
Distillers	21	Nat. West. Bank	32	KCA	6½
Dunlop	5½	P & O Dfd.	9	Premier	4½
Eagle Star	14	Plessey	10	Shell	28
F.N.F.C.	1¾	Racal Elect.	20	Tricentrol	27
Gen. Accident	21	R.H.M.	4½	Ultramar	32
Gen. Electric	30	Rank Org.	18	**Mines**	
Glaxo	40	Reed Intnl.	17	Charter Cons.	18
Grand Met.	12	Sears	5½	Cons. Gold	40
G.U.S. 'A'	30	Tesco	7	Lonrho	9
Guardian	23	Thorn	25	Rio T. Zinc	35
G.K.N.	22	Trust Houses	14		
Hawker Sidd	16	Tube Invest.	27		
House of Fraser	12	Unilever	40		
		U.D.T.	4		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday January 23 1980

Peacetime record for ship losses

By John Moore

THERE WAS a new peacetime record for ships lost at sea in 1979. Total gross tonnage lost was 2.26m compared with 1.4m in the previous year, a 61 per cent rise.

Vessels over 500 gross tons lost numbered 279 compared with 260 in 1978, according to figures released yesterday by the Institute of London Underwriters. The Institute, with over 100 member insurance companies, including overseas companies, represents those groups which specialise in marine insurance.

The total cost of the losses is likely to exceed the £243m of the previous year by a wide margin.

Major losses include the largest ever single hull loss when the huge carrier, Energy Determination, 153,479 gross tons, with a hull value of $58m broke in two off Oman after an explosion and fire.

Mr. Keith Williams, retiring chairman of the Institute, said yesterday: "We must surely be asking ourselves whether there is not some serious shortcomings in standards of management and crewing in a material proportion of world shipping."

He said competition, with depressed levels of premium ratings, had continued for a substantial part of the past year in the London market and in many overseas markets, and the capacity surplus showed little sign of reduction.

Commenting on the recent spate of fraudulent marine claims Mr. Williams urged that insurers, those assured and bankers should help to frustrate criminal activities by watching trading transactions and ship chartering, and reporting promptly any suspicious features.

Cloud over recovery

BRITISH SHIPOWNERS are more confident than they were a year ago, but the crises in Iran and Afghanistan plus the UK steel strike have cast a cloud over the industry's recovery, according to the General Council of British Shipping, writes William Hall, Shipping Correspondent.

Speaking at a Press conference in London yesterday, Mr. Ropner, president of the General Council of British Shipping, GCBS, emphasised the serious loss of UK tonnage over the past three years.

In 1977 the reduction was 45 ships of 543,000 dwt; in 1978 it was 148 ships of 4.5m dwt; and in the first 11 months of 1979, 109 ships of 5.7m dwt. There has been an upturn in new ordering in 1979, 1m dwt, compared with 0.2 dwt in 1978, but the UK fleet has continued to decline.

Car makers seek cut in imports from Japan

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPANESE motor manufacturers are likely to be pressed to reduce their exports to the UK at a meeting this month between the Society of Motor Manufacturers and Traders and the Japanese Automobile Manufacturers Association.

The meeting, to be held at the Mexican resort of Acapulco, will be one of the most crucial of the twice-yearly discussions between the two industries. Car registrations are expected to fall in the UK this year so Japanese shipments would have to fall if Japan's market share is not to increase.

The SMMT estimates that car registrations this year may not exceed 1.5m units compared with 1,716,000 units last year. Japanese motor manufacturers will dispute the SMMT figure at Acapulco but may still accept that registrations will decline. One unofficial forecast in Tokyo is that registrations may reach "at least" 1.6m units.

The SMMT is unlikely to make a direct request to JAMA for a cut in shipments. It will, however, almost certainly ask the Japanese to renew their pledge to export "prudently" to the UK. In the past this appears to have been understood as a level which would not suddenly disrupt the market or increase Japan's share. It stood at 10.8 per cent last year and has never exceeded 11 per cent.

In reaction to the call for prudence, Japanese motor exporters are likely to point out that while Japan deliberately restrained itself in the UK market last year, European exporters rapidly increased their share. British officials accept that this is so and that Japan is being singled out for special treatment.

They emphasise the important two-way trade in cars and car components between the UK and Europe whereas the British motor industry exports to Japan are negligible.

The discrepancy is particularly marked in the case of components where European imports from the UK of over £500m last year contrasted with Japanese purchases of less than £10m.

The need for Japan's prudence in the UK car market was pointed out yesterday by Mr. John Nott, Minister of Trade, during a meeting with Mr. Sasaki, Minister for International Trade and Industry. Mr. Nott said after the meeting that he felt that Japan wanted to be "helpful" on the car issue but stressed that the matter was not one for settlement by the two Governments.

"In the past it has been up to SMMT and JAMA to decide how prudence should be defined. We want to keep it that way."

● Kenneth Gooding, Motor Industry Correspondent, adds: The hawks within the UK motor industry—including BL and some of its major suppliers—will insist that the SMMT extracts from the Japanese an undertaking to restrict their British market share to 10 per cent this year.

The previous voluntary restrictions were agreed to give BL breathing space to recover. The group will still be vulnerable this year when it struggles to retain its market share of 18 to 19 per cent.

The Mini Metro will not be available until late in the year and the Bounty (made jointly with Honda) is not due until next year.

BL forecasts that new car sales could drop to 1.45m or even 1.4m this year.

If the Japanese aimed at 10 per cent of a 1.5m market, their sales would fall to 150,000 from 185,084 last year.

The cut "is nothing compared with BL's vulnerability," said one UK industry executive.

There seems little doubt that the Japanese, who have scrupulously abided by their shipment undertakings, will go along with any SMMT requests for this year.

Talks are industry-to-industry but the UK Government or even the EEC might step in if the two sides do not reach agreement.

Government to announce measures on Russia

By Richard Evans, Lobby Editor

MEASURES TO step up trade and political pressures against the Soviet Union following the invasion of Afghanistan are to be outlined in Parliament tomorrow by Lord Carrington, the Foreign and Commonwealth Secretary.

The Cabinet will complete a punitive package at its meeting tomorrow morning, but Mrs. Thatcher yesterday showed her determination to back the U.S. in retaliatory action against Russia, including the removal of the Olympic Games from Moscow.

One certain move will be the abandonment of the UK's £950m preferential credit agreement with the Soviet Union when it comes up for renewal on February 16. So far, £550m has been taken up largely to buy British engineering goods. These existing contracts will be unaffected.

The agreement was signed by Sir Harold Wilson, during his visit to Moscow in 1975. It was strongly attacked by the Conservative Opposition for being over-generous to the Russians.

Since the Russian invasion of Afghanistan, Ministers have been seeking agreement with Britain's allies—and competitors—on the basis for future trade with the Soviet Union.

Mr. John Nott, the Trade Secretary, was reported to have said in Tokyo yesterday during a visit to the Far East, that Britain would not renew "certain preferential arrangements" with Russia. His comment was taken in London as referring to trade credits.

Mrs. Thatcher told MPs in the Commons that she was writing to Britain's Olympic Association asking them to seek alternative sites for the Moscow Games.

The Government is prepared to suggest alternative UK sites for a wide range of Olympic sports, although not for major track and field events.

It was clear, following discussions at a Ministerial meeting at 10 Downing Street yesterday, that very little detailed work had been done on costing the proposals. Further progress will depend on the response from the Olympic Association.

Parliament Page 10

THE LEX COLUMN

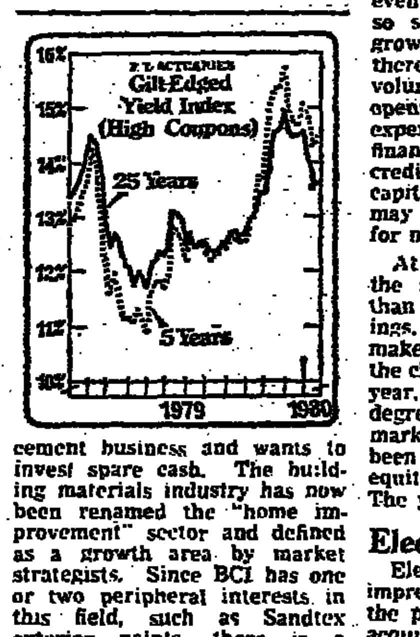
Armitage throws in the towel

At last night's prices the long-dated gilt-edged stock being offered for tender this morning was nearly half a point cheap, but the orders trickling in to brokers' offices yesterday evening did not suggest that it was heading for oversubscription. And the new short tap simply looks dear.

It may be that some sizeable funds — overseas buyers, for example — are putting applications in for the long tap direct to the Bank of England, without going through brokers. The jobbers, too, may decide to take some stock on their books. If it seems at half past nine this morning that the gilt-edged market is going to open higher, then there will be a rush to Watling Street. But many investors are taking the view that gilts may be vulnerable to an extension of yesterday's fall, and applying for stock which cannot be traded until tomorrow is a risky proposition.

The steep fall in the gold price yesterday suggests that the flight out of the dollar, from which both sterling and gilt-edged have benefited, may be coming to an end for the moment. Also, the tightness of money in London now seems to be exercising some influence over gilts. The bulls of the bond market were arguing that yesterday morning's sellers were getting funds together to subscribe to the new long tap; it seems just as likely that they were moving into the money markets.

Index fell 7.9 to 449.8



Blue Circle/Armitage

How disillusioned many of Britain's medium sized companies must be with the stock market, given the ratings they are now reduced to. Last month, for instance, Armitage Shanks was selling at around 45p against book net worth of over 80p; its p/e was barely 6, fully taxed. Some Lebanese interests acting through a Panamanian company, Ceramics Holdings, were rapidly building up a stake which has reached 21 per cent. So Armitage has bowed to an approach from Blue Circle Industries worth, on the basis of the two-for-six all-equity alternative, some 89p a share. It is all a far cry from 1973, when Armitage successfully fended off, with help from a Monopolies Commission reference, a bid from Glynwed worth the equivalent of around 110p a share — or 300p in today's money.

Quite what BCI wants with a sanitaryware maker is not altogether clear. Presumably it has gone as far as it can in the cement business and wants to invest spare cash. The building materials industry has now been renamed the "home improvement" sector and defined as a growth area by market strategists. Since BCI has one or two peripheral interests in this field, such as Sandtex exterior paints, there is a tenuous connection. But the stock market did not think very much of the takeover proposal: with the BCI share price down 22p to 266p, the £17.8m knocked off the capitalisation was more than the £11.5m added to the market value of Armitage compared to the suspension price of 52½p.

The Amitage Management has been offered a high degree of independence within BCI's structure, and presumably feels it would be better off there — safe from being nibbled at by Lebanese or anybody else. Yet Ceramics Holdings has still to reveal its hand; it has been consulted during the period of suspension, but understandably will commit itself to little except that, as Mr. Jim Slater used to say, the Armitage shares are being held as "an investment."

MFI

MFI Furniture Group has come up with interim figures that ought to please all but the most exacting: pre-tax profits have risen by 34 per cent to £8.1m on sales up 39 per cent, almost entirely reflecting higher volume. The strength of sterling and the policy of ordering a restricted number of items from suppliers in increasing bulk have enabled the group to hold its prices with only a slight impact on net margins. MFI does not seem to be contemplating an immediate round of price increases, preferring rather to put a little more pressure on its competitors.

This year the group may well benefit from trading down. But even if consumer spending is so slack as to prevent much growth at the existing stores, there should be a steady volume increase from new store openings. Much of the capital expenditure will be self-financed—the build-up of creditors takes care of working capital needs—although MFI may borrow £6m or so to pay for new warehousing.

At 78p, down 5p yesterday, the shares trade at no more than 11 times fully-taxed earnings, a rating which seems to make plenty of allowance for the chance of slower growth this year, but there is still a fair degree of indigestion in the market, and the shares have been dull since a quarter of the equity was placed in October. The yield is 4.9 per cent.

Electrolux

Electrolux has built an impressive growth record over the past decade on a series of acquisitions around the world. But until now it has usually confined its bids pretty much to its existing activities, with household appliances in one form or another accounting for two-thirds of sales. The agreed bid for Graenges announced yesterday seems to mark a very different strategy. The only thing it has in common with this metals and engineering business is its chairman, and although both sides are promoting the virtues of vertical integration, these arguments look decidedly flimsy. Three-quarters of Electrolux sales go outside Sweden, and it seems unlikely that Graenges will replace its other suppliers of tubes, or aluminium sheet on any scale.

It is certainly a big deal for Electrolux, adding about a quarter to its ultimate equity and maybe two-fifths or more to its net worth. Graenges has come through a period of heavy losses by selling off or closing a whole string of basic industry businesses, and although it made a profit last year for the first time since 1975, its scope as an independent company must have been limited by its somewhat stretched-looking balance sheet. The bid probably has more to do with financial than industrial considerations.

Electrolux is financing its offer with convertible debenture notes, which could stand at something like 90 per cent of par. Meanwhile Electrolux shares, yielding 6¾ per cent, reflect a certain scepticism in the Swedish market.

Flags of convenience talks fail

BY BRIJ KHINDARIA AND WILLIAM HALL

TALKS ON phasing out flags of convenience have collapsed. Further discussion has been postponed until the autumn when the United Nations Conference on Trade and Development Committee on Shipping next meets.

The talks were taking place in a special working party of UNCTAD.

It had been hoped that the developing countries, represented by the Group of 77, and the developed countries would come to agreement on a common approach to the controversial subject of flags of convenience, as did the first working party in February, 1978.

After a week of debate, however, both sides tabled their own resolutions and in spite of a last-minute attempt at compromise by Mr. Bertil Voss, the chairman, it proved impossible to reach a consensus.

The developing countries are committed to phasing out of flags of convenience and the developed countries (except France) believe there is no need to do so.

As a result both resolutions will be submitted to the next meeting of the Trade and Development Board in March with the request they are passed to the Committee on Shipping, which meets in Geneva in September.

The developing countries and the developed countries both made final statements which highlighted the considerable gulf in thinking between the two sides. In addition, Liberia, which had approved the Group of 77 resolution initially, took the unprecedmented step of trying to dissociate itself from the final resolution. Panama, also dissociated itself from the final statement of the Group of 77. But not the resolution.

Liberia, which is both a developing country and supervises the world's biggest flags of convenience fleet, came in for bitter criticism from other developing countries which resented its about-turn on the Group of 77 resolution.

The Liberian delegate, Mr. Rochefort Weeks, said his country could not associate itself with a Third World resolution calling for an end to flags of convenience. He denied the opposition of the wealthy developed countries to phasing out was a retrograde step.

The collapse of the UNCTAD talks is a setback both for the UNCTAD Secretariat and also for the developing countries. The developed countries fear that the ending of flags of convenience, which account for about a third of the world fleet, is part of a concerted attack on the Western dominance of bulk shipping.

One of the main worries of delegates from the developed countries was that many of their shipping counterparts from the developing countries did not attend. Instead, many developing countries relied heavily on their permanent mission in Geneva. For this reason the developed countries are happy to see the debate resumed in a more knowledgeable body like the Committee on Shipping.

Open-cast coal mining plan

MORE THAN 2¼m tonnes of coal to be recovered from an open-cast site at Poolsbrook, Chesterfield, Derbyshire, over the next eight years.

The National Coal Board said yesterday that working the 479-acre site would improve life in Poolsbrook because a by-pass, a new miners' institute, new football pitch and bowling greens would be provided. A source of regular flooding would be eliminated and two existing colliery spoil heaps landscaped.

Kennedy defeated by Carter in Iowa

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

PRESIDENT Jimmy Carter and Mr. George Bush emerged as the big winners in Monday night's Iowa party caucuses, the first presidential selection test of 1980.

On the Democratic side, the President inflicted a severe defeat on Senator Edward Kennedy from Massachusetts, winning about 59 per cent of the Caucus votes compared with Mr. Kennedy's 31 per cent, and about 10 per cent for uncommitted delegates.

Mr. Bush pulled off a genuine upset in beating the Republican front runner, Mr. Ronald Reagan, with Senator Howard Baker finishing a respectable third. On the basis of incomplete returns, Mr. Bush scored about 34 per cent, Mr. Reagan 28 per cent, Mr. Baker 14 per cent, with Mr. John Connally, Congressman Philip Crane, Congressman John Anderson and Senator Robert Dole bringing up the rear.

Both parties in Iowa have complex and protracted procedures before 50 Democratic and 37 Republican delegates are selected to attend the respective national conventions this summer. Monday night's caucuses, therefore, constitute only a rough guide to real political sentiment inside the state.

Senator Kennedy's defeat, while expected, nonetheless punctures once and for all the Kennedy aura of invincibility. It was the first election he has contested outside his home state and he endured the sort of thrashing neither of his brothers experienced.

It is now imperative for him to recoup as the campaign moves on to his own New England backyard.

Should Mr. Kennedy lose there, and then, as expected, go down to defeat to Mr. Carter in the next series of southern primaries, then his campaign could be dead.

He will now find fund-raising a more difficult proposition. One indication of this is the announcement that he will no longer be flying around the country in the expensive chartered jet he has been using.

He will also have to look to the quality of his campaign organisation and to the variable standards of his own public performances on the stump.

Kennedy stalls at starting gate. Page 4

Continued from Page 1

Gold

heavy losses in London.

Bullion dealers said many market operators were retreating from heavily overbought positions taken out during gold's almost continuous rise this year.

Peter Riddell writes: The sharp fall in the gold price unsettled domestic securities markets. One result is that the fate of the two gilt-edged stocks on offer this morning looks finely balanced.

Prices of long-dated stocks dropped by £¾ after falls of up to £1½ at one stage. The new long-dated stock—£1bn of 12¾ per cent Treasury 2003-05—is still roughly £½ cheaper than existing market issues but many investors appear to be delaying decisions until this morning.

Prices of shorter-dated stocks dropped by roughly £½ yesterday and it now looks unlikely that there will much demand for the shorter-dated issue—£800m of 13¼ per cent Exchequer 1983.

Paul Betts writes from Rome: Sig. Filippo Maria Pandolfi, the Italian Treasury Minister, and new chairman of the interim committee of the International Monetary Fund, is believed to be contemplating a visit to some major oil-producing countries to discuss the eventual setting up of an IMF substitution account to ease pressure off the dollar as a reserve currency.

The substiution account was one of the main hopes discussed at the meeting in Frankfurt at the weekend of Finance Ministers from the U.S., West Germany, Japan, France and the UK.

Continued from Page 1

Steel

chances of getting the two sides face-to-face by the end of the week are stil considered good.

The timetable can be affected by the decision of leaders of all the unions on strike, whose co-ordinating committee may meet this week. No date has been set yet.

Yesterday the Amalgamated Union of Engineering Workers, which has 18,000 members in BSC, insisted that negotiations be conducted jointly by this committee. This was made clear by Mr. Gavin Laird, the union's executive member responsible for steel, after a meeting of the AUEW executive.

Weather

UK TODAY

RAIN in north, cloudy elsewhere. Perhaps some thunder near southern coasts.

London, E. Anglia, Midlands, Cent. N., N.E., N.W. and E. England, Lake District, N. Wales
Showers, sunny intervals. Max. 6C (43F).

S.E., S.W. and Cent. S. England, Channel Islands, S. Wales
Frequent showers, perhaps thunder. Max. 8C (46F).

Isle of Man, Moray Firth, Argyll, Orkney, Shetland, S.W., N.E. and N.W. Scotland, Northern Ireland
Cloudy, occasional rain. Max. 6C (43F).

Borders, Edinburgh, Dundee, Glasgow, Cent. Highlands
Occasional rain, some bright intervals. Max. 5C (41F).

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	Locarno	R	1	34
Algiers	S	17	63	London	F	8	46
Amsdm	C	5	41	Luxmbg	C	3	37
Athens	F	12	54	Madrid	C	9	48
Bahrain	S	23	73	Majorca	F	15	59
Barclna	F	16	61	Malaga	S	16	61
Beirut	F	16	61	Malta	F	14	57
Belfast	R	4	39	M'chstr	R	[illegible]	[illegible]
Belgrd	S	3	37	Melbne	C	28	82
Berlin	C	2	36	Mex. C.	C	17	63
Biarritz	S	13	55	Milan	R	3	37
Birmghm.	R	6	43	Montreal	C	−7	18
Blackpl	R	5	41	Moscow	C	−7	19
Bordx	R	8	46	Munich	S	0	32
Boulgn.	S	6	43	Nairobi	S	23	78
Bristol	F	7	45	Naples	F	12	54
Brussels	C	6	43	Nwcstl.	R	4	39
Budpst.	C	2	36	N. York	C	4	39
B. Aires	S	31	88	Nice	R	7	45
Cairo	S	18	64	Oporto	C	13	55
Cardiff	R	7	45	Oslo	S	−1	30
Cas'blca	F	15	59	Paris	C	7	45
Cologne	C	6	43	Prague	Sn	−2	28
Cpnhgn.	S	1	34	Reykjvk.	S	−2	28
Corfu	S	15	59	Rhodes	F	15	59
Dublin	C	5	41	Rio J'o	C	23	78
Dbrvnk	F	12	54	Rome	C	13	55
Edinbgh	R	4	39	Salzbrg	F	3	37
Faro	F	14	57	Singapr	C	30	86
Florence	C	9	48	Stckhm	S	−5	23
Frankft	C	5	41	Strasbg	C	6	43
Funchal	F	18	64	Sydney	S	24	75
Geneva	R	4	39	Tangier	F	15	59
Gibrltr	F	15	59	Tehran	C	3	38
Glasgow	C	12	54	Tel Aviv	S	19	67
G'nsey	F	6	43	Tenerife	S	20	68
Helsinki	Sn	−7	19	Tokyo	S	6	43
H. Kong	C	15	60	Toronto	Sn	0	32
Innsbrk.	F	3	37	Tunis	S	16	61
Invrnss	R	4	39	Valencia	S	16	61
Jersey	R	8	46	Venice	C	4	39
Jo'burg	C	21	70	Vienna	C	−2	28
L. Pims.	F	22	72	Warsaw	F	0	32
Lisbon	R	14	57	Zurich	R	3	37

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Electrolux bids £75.7m for Graenges

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

ELECTROLUX, THE Swedish household appliances group, yesterday made a SKr 725m (£75.7m) offer for its compatriot, the Graenges metals and and engineering group. The takeover will bring about a new major Swedish industrial conglomerate with combined sales of over SKr 19bn (£2bn) and a determination to seek expansion abroad.

The bid for Graenges is the latest in a series of takeovers, both international and domestic, concluded over the past decade by Mr. Hans Werthen, the Electrolux chairman. Mr. Werthen has also been chairman of Graenges since 1977 and has led its restructuring from a crippled steel and mining concern into non-ferrous metal manufacturing and engineering.

Electrolux is offering two convertible debentures of SKr 150 each for three Graenges' shares. They will carry interest at 10 per cent a year and will be convertible into Electrolux B shares at SKr 150 after two years and not later than 10 years after issue.

The offer has been approved by the Graenges' board. Mr. B. Bo Abrahamsson, its managing director, said the integration with Electrolux was a very important step for Swedish industry. It revitalised Graenges' development outlook and would provide its shareholders with a favourable return on their investment at a time when on its own the company would have had to restrict dividend payments.

Graenges expects to show pre-tax earnings of about SKr 100m on its 1979 account after recording losses of more than SKr 1bn in the three previous years when no dividends were paid.

The Electrolux board proposes to raise its shareholders' dividend by SKr 1.25 to SKr 7.50 a share for 1979 and to make a bonus share issue of one-for-four. The group's 1979 pre-tax profit will be in the SKr 825m-850m bracket. This is higher than earlier forecasts.

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